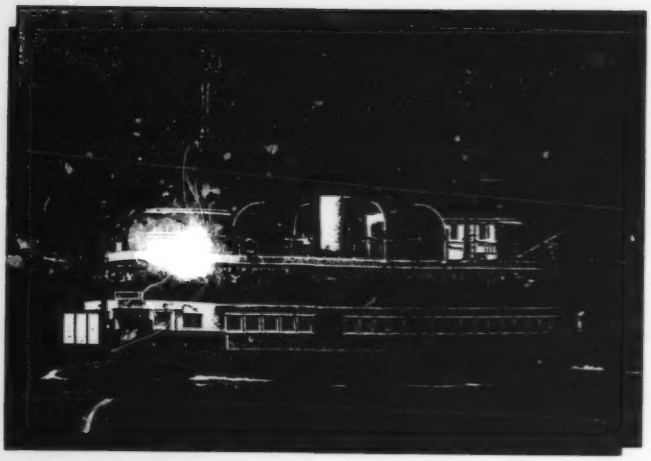
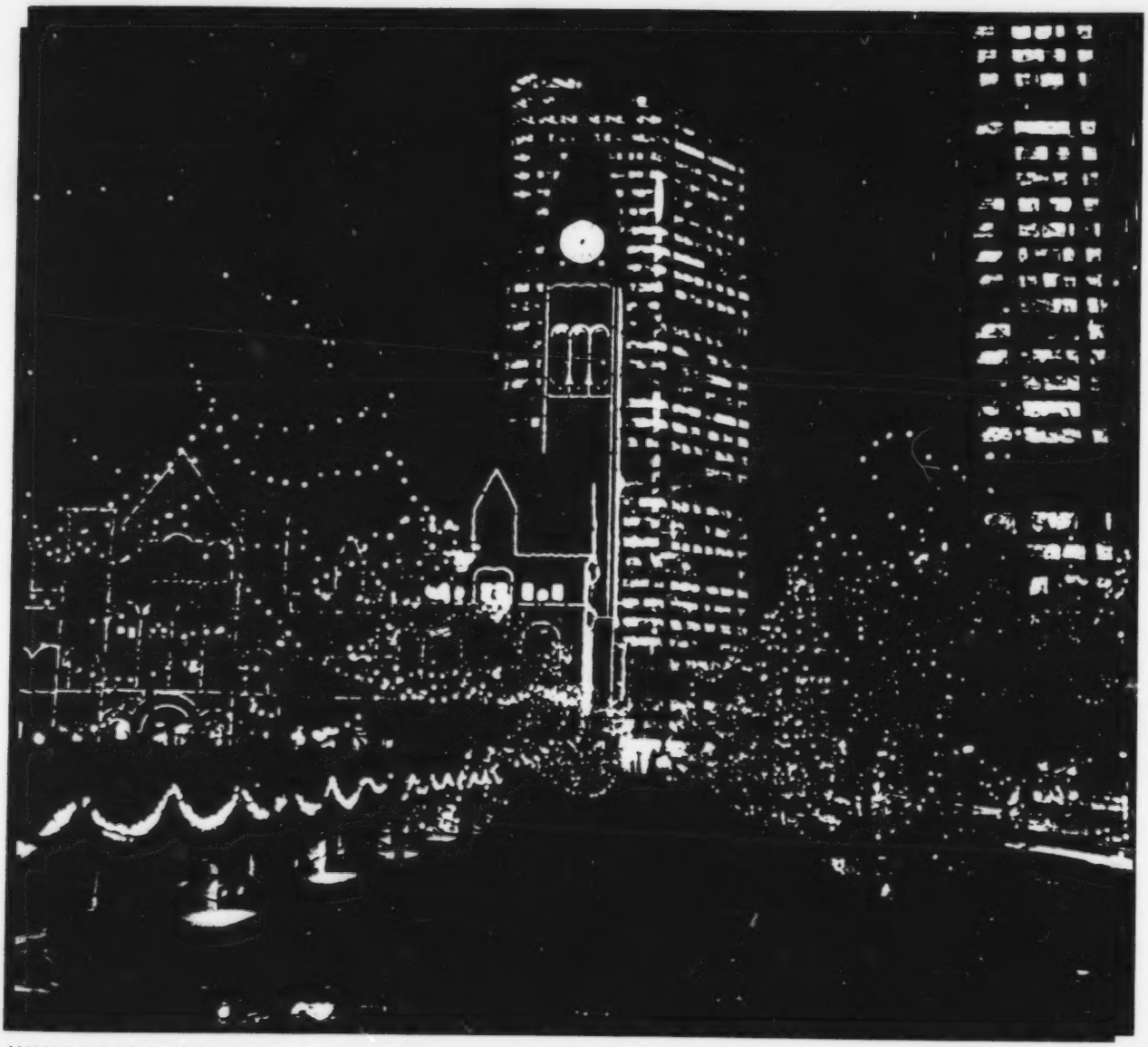
ANNUAL REPORT
1988



THE MUNICIPALITY OF METROPOLITAN TORONTO 1953



The Municipality of Metropolitan Toronto . . . *a revitalized mandate that invites, perhaps even demands of us, that we translate the challenges of today into the opportunities of tomorrow . . .*

Metro's 4500 hectares of parkland present a diverse range of opportunities for an outdoor experience — and an escape from the tempo of modern living.

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MESSAGE FROM THE METRO CHAIRMAN

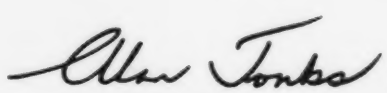
The year 1988 marked a turning point for Metropolitan Toronto when for the first time a Metropolitan Council was directly elected to serve the needs of the entire region. I firmly believe our new directly-elected Council offers us the impetus and the focus to build a "New Metro" — a metropolis that can give its citizens a quality of life where neighbourhoods thrive, our environment is safe, our children are secure and our commerce prospers.

It is no secret that the very many who flock to Metro see us today as a safe and vibrant community; the hub of Ontario's economy; the industrial heartland of Canada; a cultural and tourist mecca. But what is equally true is that the price of success does not come cheap. The inescapable reality is that the boom and bloom is accompanied by challenges associated with such issues as public safety, environmental protection, transportation and affordable housing.

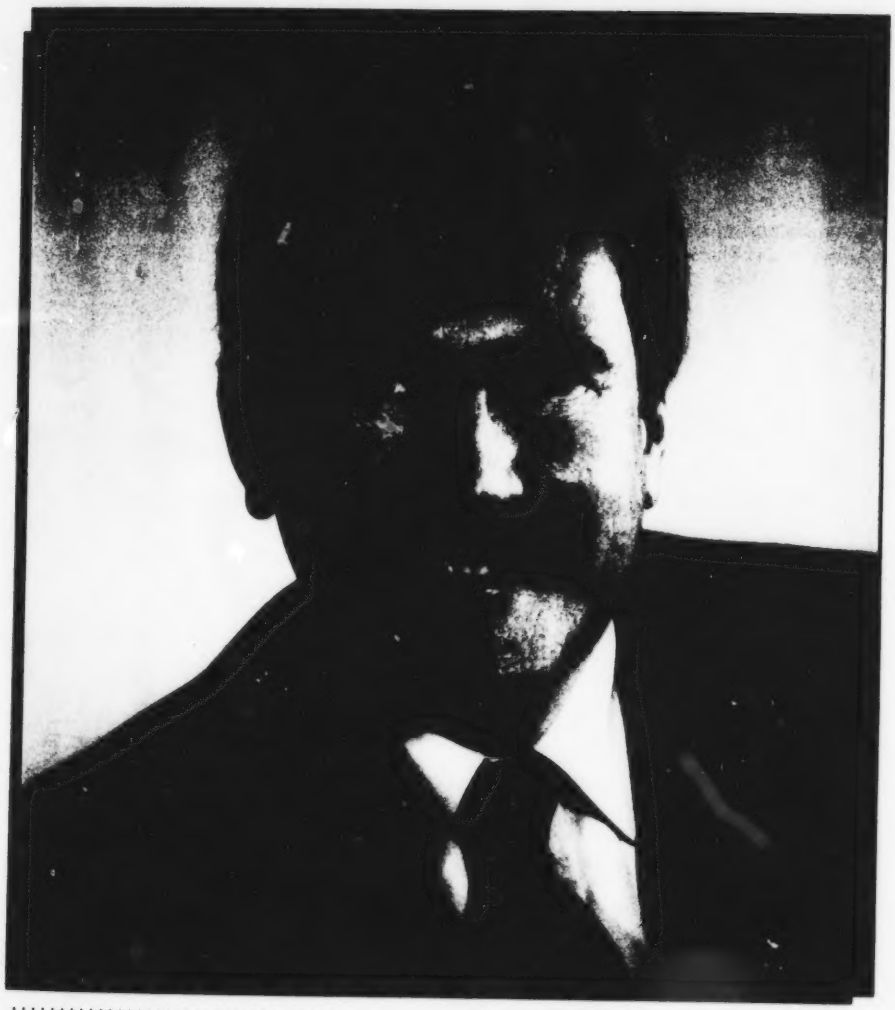
The revitalized mandate of the "New Metro" Council will be to translate these challenges of today into the opportunities of tomorrow. As a region with a population greater than six of our provinces, we must begin by convincing the other levels of government, in the areas where we share responsibility, that the health and viability of this metropolis depends on their commitment to participate in the resolution of our problems. Again, a review of our Metro Official Plan must signal the general long-term direction in which we must together position this great metropolis. For Metro's financial administrators this, in turn, will refine the process of determining Council spending priorities and allocating scarce resources in a manner that allows for improved balance, certainty and stability. Finally, we must ensure that there will be room for our citizens to have input to this process. They must be involved if issues like public safety, viable neighbourhoods and community pride are to be re-established across Metro as symbols of why this is a desirable place to live.

In presenting to you the 1988 Annual Report of the Municipality of Metropolitan Toronto, I would also like to commend our 1988 fiscal performance. We saw the general operations of the Municipality completed well within budget limits, a significant enhancement of the funds in reserve and, once again, the retention of the highest possible credit rating in the international bond market.

It is my pride, indeed my privilege, to lead the New Metro. We will need every ounce of talent assembled, a solid measure of goodwill and commitment, and an unprecedented energy and focus that invites, perhaps even demands of us, that we work together today to build that New Metro for tomorrow.



ALAN TONKS
Chairman, Metropolitan Toronto Council



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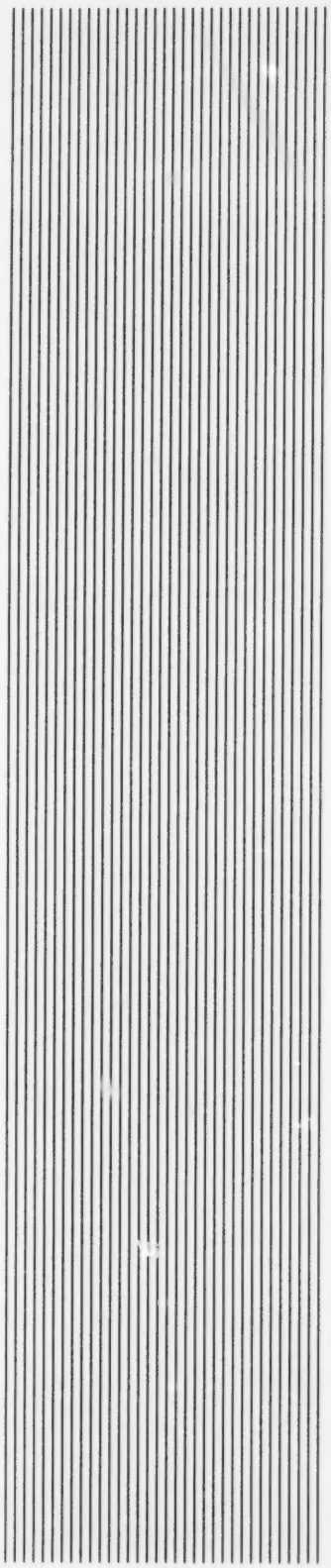


METROPOLITAN COUNCIL
1988 - 1991

FRONT ROW

Mayor Fergy Brown, Mayor Bruce Sinclair, Mayor Arthur Eggleton, Chairman Alan Tonks, Mayor Joyce Trimmer, Mayor Mel Lastman, Mayor David Johnson

SECOND ROW

Councillor Chris Stockwell, Councillor Lois Griffin, Councillor Maria Augimeri, Councillor Bev Salmon, Councillor Dale Martin, Councillor C. Dennis Flynn, Councillor Maureen Prinsloo, Councillor Anne Johnston, Councillor Marie Labatte, Councillor Joseph Pantalone

THIRD ROW

Councillor Richard Gilbert, Councillor Bob Sanders, Councillor Scott Cavalier, Councillor Derwyn Shea, Councillor Joan King, Councillor Ila Bossons, Councillor Norman Gardner, Councillor Dick O'Brien, Councillor Brian Ashton

BACK ROW

Councillor Mike Colle, Councillor Paul Christie, Councillor Peter Oyler, Councillor Ken Morrish, Councillor Mario Gentile, Councillor Roger Hollander, Councillor Howard Moscoe, Councillor Brian Harrison

ORGANIZATIONAL STRUCTURE

The Metropolitan Council, comprised of 34 representatives drawn from the six local area municipalities, is the governing and legislative body for the municipality. Council approves policy and authorizes the raising of revenues and the expending of funds for the provision of services. It receives all reports from Standing Committees and the Executive Committee.

With the exception of the Mayors of the area municipalities, Council Members are directly elected to Metropolitan Council. The Chairman is selected by Council from among the directly-elected members. Both the Chairman and the Members of the Council have the same three-year term. The term of the present Council expires November 30, 1991.

The Metropolitan Council is supported in the decision-making process by the Executive Committee (composed of the Metropolitan Chairman, the six area municipal Mayors, and seven directly-elected Members of Council) and six Standing Committees. The Executive Committee is responsible for the monitoring and control of the financial, human and property resources of the Metropolitan Corporation. The Standing Committees consider, in detail, a wide variety of matters concerning program policy and make recommendations thereon, through the Executive Committee, to the full Metropolitan Council. Finally, a Policy and Priorities Committee (composed of members of the Executive Committee and the Standing Committee Chairman) reviews and co-ordinates the various program policy positions presented to Metropolitan Council to ensure conformity with the general thrust of overall Metropolitan Corporate priorities.

Metropolitan Departments provide operational and support services as follows:

OPERATIONAL SERVICES

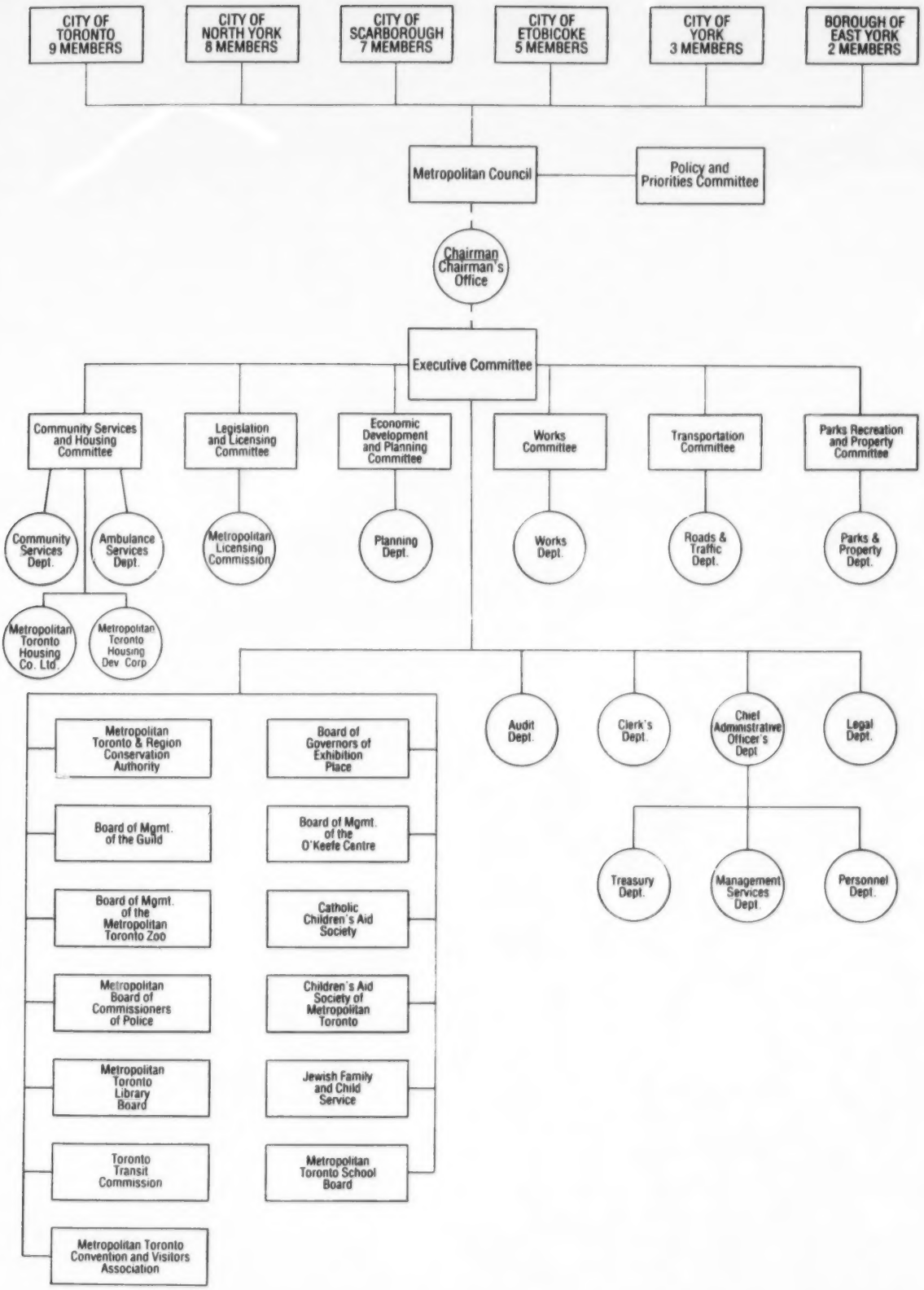
Ambulance
Community Services
- — Children's Services
- — Homes for the Aged
- — Social Services
- — Housing

Parks and Property
Planning
Roads and Traffic
Works

SUPPORT SERVICES

Audit
Chairman's Office
Chief Administrative Officer
Clerks
Legal
Management Services
Personnel
Treasury

Other Metropolitan Toronto services are administered, through Metropolitan Council, by the various Boards, Commissions and Agencies.


CITY OF TORONTO 9 MEMBERS
CITY OF NORTH YORK 8 MEMBERS
CITY OF SCARBOROUGH 7 MEMBERS
CITY OF ETOBICOKE 5 MEMBERS
CITY OF YORK 3 MEMBERS
BOROUGH OF EAST YORK 2 MEMBERS
Metropolitan Council
Policy and Priorities Committee
Chairman Chairman's Office
Executive Committee
Community Services and Housing Committee
Legislation and Licensing Committee
Economic Development and Planning Committee
Works Committee
Transportation Committee
Parks Recreation and Property Committee
Community Services Dept.
Ambulance Services Dept.
Metropolitan Licensing Commission
Planning Dept.
Works Dept.
Roads & Traffic Dept.
Parks & Property Dept.
Metropolitan Toronto Housing Co. Ltd.
Metropolitan Toronto Housing Dev. Corp
Audit Dept.
Clerk's Dept.
Chief Administrative Officer's Dept
Legal Dept.
Treasury Dept.
Management Services Dept.
Personnel Dept.
Metropolitan Toronto & Region Conservation Authority
Board of Governors of Exhibition Place
Board of Mgmt. of the Guild
Board of Mgmt. of the O'Keefe Centre
Board of Mgmt. of the Metropolitan Toronto Zoo
Catholic Children's Aid Society
Metropolitan Board of Commissioners of Police
Children's Aid Society of Metropolitan Toronto
Metropolitan Toronto Library Board
Jewish Family and Child Service
Toronto Transit Commission
Metropolitan Toronto School Board
Metropolitan Toronto Convention and Visitors Association

JOHN L. PICKARD, B.Com., F.C.A
Commissioner of Finance and Treasurer

The Municipality of
Metropolitan Toronto

Treasury Department
City Hall, West Tower, 10th Floor
Toronto, Ontario, Canada M5H 2N1

John L. Pickard, B.Com., F.C.A.
Commissioner of Finance and Treasurer

M. A. Brooks, I.P.F.A.
Deputy Treasurer

I am pleased to present the Annual Financial Report of the Municipality of Metropolitan Toronto for 1988 and to highlight some of the more significant financial activities which occurred during that year.

ECONOMIC AND FINANCIAL PERSPECTIVE

ECONOMIC

1988 marked the 7th consecutive year of economic growth and development for Canada's business and financial centre — Metropolitan Toronto. With its broad and diverse economic base, Metropolitan Toronto led the country in new business activity, retail sales, manufacturing and small business growth, ending the year with a 3.7% unemployment rate and building permits in excess of $3 billion.

In keeping with its belief that municipal government must be aware of, and responsive to, the rapid and profound changes in international economic, business, and financial conditions, Metropolitan Toronto is creating strategic partnerships with business, labour and education in order to enhance the economic health, competitiveness and sustainable growth of the Metropolitan Toronto community.

The financial position of the Metropolitan Corporation was further consolidated in 1988 with the Municipality continuing to retain its "Triple A" credit rating in respect of its municipal debenture issues. Service operations were completed well within budget and the surplus for the year, in excess of $32 million, was used to reduce the 1989 tax rate. In addition, the Municipality substantially increased its reserves and reserve funds from $187,567,000 at January 1, 1988 to $287,001,000 at the end of the year.

FINANCIAL

The Metropolitan Corporation's principal sources of revenues are levies against the Area Municipalities, grants from the Province of Ontario, user charges arising from municipal services and certain other miscellaneous revenues. The operations may be classified into three groupings, and the basis of financing is outlined below:

GENERAL PURPOSE REQUIREMENTS, which include all Metropolitan departments, boards, commissions and agencies (except Water Supply), are financed from a general levy on the six constituent area municipalities, Provincial grants and other sundry and program-generated revenues.

EDUCATION REQUIREMENTS for elementary and secondary educational programs administered by the Metropolitan Toronto School Board are financed from an education levy on the six constituent area municipalities, Provincial grants and other sundry revenues. The funds required by the Board are requisitioned from the Metropolitan Corporation, which, in turn, levies for such funds on the Area Municipalities.

WATER SUPPLY REQUIREMENTS of the Water Supply Division of the Metropolitan Works Department, an entirely self-sustaining operation, are financed from the sale of water to constituent area municipalities (and one adjoining Regional Municipality by formal agreement) and from other sundry revenues.

AUTHORITY TO BORROW

DEBENTURE DEBT

The Municipality of Metropolitan Toronto has the sole statutory responsibility for borrowing money by the issuance of debentures for its own purposes, its local boards, commissions and agencies and on behalf of the area municipalities and their local boards, commissions and agencies. The local boards and municipal enterprises of the Municipality include the Metropolitan Water Supply System, the Toronto Transit Commission and the Metropolitan Toronto School Board. Where money is borrowed, or debt assumed, on behalf of other bodies, payment of the related debt servicing requirements is made by these bodies to the Metropolitan Corporation.

All debentures issued by the Metropolitan Corporation are direct, joint and several obligations of the Metropolitan Corporation and the Area Municipalities.

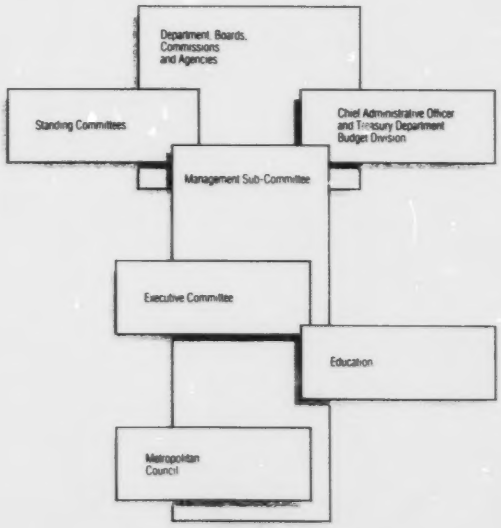
SHORT TERM DEBT

Provincial legislation restricts short term borrowing by the Metropolitan Corporation for current purposes during any year to 70 per cent of the total amount of estimated revenues as set forth in the estimates adopted for the year. Until such estimates are adopted, the borrowing limit shall be calculated upon the estimated revenues as set forth in the estimates adopted for the next preceding year.

FINANCIAL MANAGEMENT AND CONTROL

THE BUDGETARY PROCESS

The Metropolitan Toronto budgetary process for both the annual operating budget and the five year capital works program is shown in the following chart and explanatory comments.



- Staff of the Treasury Department, in consultation with the Management Sub-Committee of Council, issue budget guidelines to all Metro departments, boards, commissions and agencies.
- Departments/Agencies prepare and submit their budget documents to the Treasury Department. A copy of the budget submission is also forwarded by the Department/Agency to the applicable Standing Committee of Council.
- Standing Committees review the budget documents, with the main emphasis on policy and program issues, and forward their recommendations to the Management Sub-Committee.
- Staff of the Treasury Department coordinate and prepare the necessary schedules and analysis reports.
- Members of the Management Sub-Committee analyze the budget requests (and applicable amendments), and recommend the appropriate funding requirements and management actions.
- Recommendations of the Management Sub-Committee are forwarded to the Executive Committee for consideration.
- Recommendations of the Executive Committee are forwarded to the Metropolitan Council for final approval and adoption of a general levy on the constituent area municipalities.

The Management Sub-Committee is a sub-committee of the Executive Committee whose responsibilities include the budget submissions and presenting the formal budgets (operating and capital) to the Executive Committee and to the Metropolitan Council. The Management Sub-Committee is composed of nine members of the Executive Committee, including the Metropolitan Chairman.

The annual operating budget establishes expenditure funding appropriations that are monitored throughout the year and, except for minor variations, the express prior approval of Council is required before incurring expenditure commitments that would create over-expenditures in approved appropriations.

The five year capital works program is reviewed and revised annually in the budgetary process and includes a fiscal impact analysis of each capital project to assess the financial impact upon subsequent operating budgets. Such analysis forms the basis for recommended guidelines with respect to growth in annual debt charges, the level of debt outstanding and a balanced use of borrowing and capital financing out of current fund allocations. (See "Long Range Capital and Financial Planning" section.)

In the case of education, the budgetary process is carried out entirely by the Metropolitan Toronto School Board in conjunction with the local Boards of Education for the six area municipalities. Following formal approval of a budget by the Metropolitan Toronto School Board, it is then forwarded to the Metropolitan Executive Committee and Council for approval, in order to permit the striking of a property tax levy for public education purposes or for inclusion in the five-year capital works program.

THE ACCOUNTING PROCESS

The present computerized Central Accounting System was initiated originally to eliminate most of the independent accounting systems previously maintained in each of the Metropolitan departments and to provide a central collection focus for accounting data. Since its inception, the System has developed progressively to meet the emerging needs of departments, particularly in the areas of management accounting and budgeting. It is now oriented to a program management structure, with sufficient flexibility to ensure ready analysis of information to the needs of the user.

The Metropolitan Corporation is presently conducting a strategic review of its financial systems and informational requirements to support the financial management and control processes. This review is intended to ensure that future systems continue to satisfy the increasing demands for information from both corporate and departmental perspectives, in

the areas of accounting, operational planning and management information.

To ensure that all transactions are recorded accurately and on a timely basis, are properly approved and serve as the basis for reliable financial information, the Municipality maintains an extensive system of internal accounting controls. The adequacy and effectiveness of the control systems are subject to ongoing monitoring by the Treasury Department and by the Metropolitan Auditor.

THE AUDITING PROCESS

The consolidated financial statements of the Municipality of Metropolitan Toronto, together with the individual financial statements of the entities presented in the consolidation, are all subject to independent audits conducted by the Metropolitan Auditor who is a statutory officer of the Metropolitan Corporation reporting independently to the Metropolitan Council in regard to the operations of each of the entities.

The Auditor's Report is based on an examination of the Corporation's accounting systems, procedures and internal controls and is made in accordance with generally accepted auditing standards, including such tests and other procedures as the Auditor considers necessary in the circumstances.

CONSOLIDATED FINANCIAL STATEMENTS AND STATISTICAL REVIEW

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Municipality of Metropolitan Toronto provide an overview and broad perspective of the financial activity for which the Municipality is deemed to be politically accountable. The individual entities presented and included within the consolidation comprise local boards, agencies and commissions of the Metropolitan Corporation carrying out both general municipal activities and functions of a municipal enterprise nature, as follows:

Municipality of Metropolitan Toronto (including the Metropolitan Board of Commissioners of Police and the Metropolitan Licensing Commission)
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the O'Keefe Centre
Board of Management of the Guild

The administrative and financial relationships of these individual boards, commissions and municipal enterprises to the Municipality of Metropolitan Toronto are dealt with in some detail in the next section. The individual detailed financial statements of the consolidated boards, commissions and agencies are not included in this publication; rather, a listing of the addresses of the offices of each of these entities is provided on page 48 of this Report for any individual who may wish to obtain further information.

STATISTICAL REVIEW

A Statistical Review has been compiled and included to provide general information and comprehensive statistical data for the Municipality of Metropolitan Toronto and afford a broader and more complete understanding of the Municipality's financial condition than is possible from simply an examination of the individual financial statements. It comprises multi-year comparative trend data, information concerning fiscal capacity and debt-related statistics of the Metropolitan Corporation.

CONSOLIDATED BOARDS, COMMISSIONS AND AGENCIES

The administrative and financial relationships between the Municipality of Metropolitan Toronto and its individual consolidated boards, commissions and agencies are outlined below:

METROPOLITAN WATERWORKS SYSTEM

The Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, is responsible for the supply of potable water of the highest standard of quality conforming to the requirements of Provincial and Federal Acts and Regulations in a quantity sufficient for the requirement of the citizens of the Metropolitan Toronto Area. The System undertakes the treatment, pumping, trunk transmission, storage and supply of water for the constituent area municipalities and the southerly portion of the Regional Municipality of York; the latter under an agreement with the Province of Ontario.

The Municipality of Metropolitan Toronto Act requires the Waterworks System to be self-sustaining and to retain any surplus revenues generated from operations. Effective November 18, 1986, by an amendment to the Municipality of Metropolitan Toronto Act, enabling legislation was obtained to permit the use of waterworks system surplus funds for the capital financing of water pollution control works.

Administration of the water supply function in 1988 involved the operation of 4 filtration plants, including quality control laboratories; 21 pumping stations; 10 major reservoirs; 4 elevated tanks and a 454 km. large-diameter water main transmission network, furnishing about 536 million cubic metres of water annually to the six area municipalities. To ensure proper treatment, achievement of conformity to potability standards, and to verify the above by testing water delivered to the consumer, a staff of highly qualified scientific personnel at four laboratories continually analyzes samples. During 1988 a total of 293,000 samples were taken and analyzed.

In 1988 total expenditures amounted to $71,981,000. Operating revenues, principally from the sale of water, totalled $79,845,000 resulting in net revenue for the year of $7,864,000. In accordance with Council's directive, this amount was transferred to a Reserve Fund for Water Pollution Control Measures under the jurisdiction of the Metropolitan Corporation to be applied to finance water pollution capital projects identified in annual budget reviews. The level of this reserve fund and future transfers of water supply surplus funds is subject to ongoing review by Metropolitan Council.

METROPOLITAN TORONTO LIBRARY BOARD

The Metropolitan Toronto Library Board provides direct reference service to the public and support services to the local area municipal public libraries in Metropolitan Toronto.

Operational highlights for the year included the virtual completion of the reorganization of the Board's public service departments and the long-range automation study; the decision to replace the card catalogue of materials in all the public libraries in the Metro Toronto area with a computer-access, compact disc system; improvements in cataloguing operations; and the development of a user-education program.

Total operating expenditure for 1988 was $24,231,000 and was financed by $21,826,000 from the Metropolitan Corporation, $1,710,000 from the Province of Ontario and the balance of $695,000 from other sources, principally recoveries from Ontario Library Service areas for services rendered, photocopying services and the sale of miscellaneous publications.

TORONTO TRANSIT COMMISSION

The Toronto Transit Commission (T.T.C.) has exclusive authority to provide local passenger transportation services within the Metropolitan Toronto area; the only exceptions being

railways, taxis, horse-drawn vehicles used for the purpose of providing sightseeing tours, privately owned or operated buses in certain limited uses, ferries to the Toronto Islands and bus transportation thereon.

Operating expenditures are financed in accordance with a "user's fair share" principle which generally defines the amount of operating expenses that are to be the financial responsibility of the T.T.C., the Metropolitan Corporation and the Province of Ontario. In accordance with this principle, the Commission establishes its fares at a level projected to produce total revenue from operations equal to 68% of total operating expenses (as defined for provincial subsidy purposes). The Municipality undertakes in its budget to provide an operating subsidy equal to the remaining expenses and, in turn, obtains subsidies from the Province of Ontario related to eligible transit operating expenses, revenue/cost relationships and special subsidies for major new transit facilities on exclusive rights of way.

The T.T.C.'s total operating expenditure during 1988 amounted to $531,878,000 while total operating revenues (principally fare revenue) were $381,504,000. This resulted in a net operating cost of $150,374,000 which was met by the Metropolitan Corporation; the Province of Ontario, in turn, contributed a transit operating subsidy to the Municipality of $83,804,000 relating to the T.T.C's operating costs and other transit expenditures incurred directly by the Municipality.

GRAY COACH LINES, LIMITED

Gray Coach Lines, Limited was incorporated in 1927 as a wholly owned subsidiary of the Toronto Transit Commission. The company's businesses are in the transportation, tourism and travel related areas.

Directly and through subsidiaries, it operates scheduled intercity and airport services, charters and tours using a fleet of modern coaches under the Gray Coach and Trentway-Wagar names. School bus services are operated by subsidiary Trentway-Wagar. A one third interest in International Travel Group gives the company an interest in an airline charter together with two other tour operators.

In 1988, the company had record earnings of $17,493,000. The Toronto Transit Commission was paid a dividend of $1,200,000 and $6,367,000 for administrative services, use of joint facilities and rental of property and equipment.

Consolidated retained earnings of the company amounted to $29,610,000 as at December 31, 1988.

BOARD OF GOVERNORS OF EXHIBITION PLACE

The Board of Governors of Exhibition Place operates and manages Exhibition Place, including the Exhibition Stadium, on behalf of the Municipality of Metropolitan Toronto under the terms of an agreement between the Board and Metropolitan Toronto which specifies that net operating income is payable to the Municipality and that the Municipality is responsible for funding any deficit.

Major capital facilities at Exhibition Place are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment, including major improvements and maintenance, are charged by the Board to current operations in the year of occurrence. These facilities also are the property of the Municipality.

A user fee of 25 cents per ticket sold at a price greater than $2.00 is assessed on events produced in Exhibition Stadium. The amounts collected are paid into a reserve fund of the Municipality of Metropolitan Toronto to be used to defray the costs of capital improvements to the Stadium.

1988 was yet another successful year at Exhibition Place; a surplus of $5,006,000 was realized on the Board's annual operation and credited to the general revenues of the Metropolitan Corporation.

BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

A Board of Management operates and manages the Metropolitan Toronto Zoo under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto which is responsible for funding any deficit and is entitled to any net income from operations.

Major capital facilities at the Zoo are financed by and are the property of the Municipality of Metropolitan Toronto. Costs of other expenditures on plant and equipment are charged by the Board to current operations in the year they are incurred.

In 1988 total zoo revenues from admissions, retail sales, parking, concessions, etc., amounted to $7,269,000. Expenditures totalled $14,100,000 resulting in a net cost of operation of $6,831,000 which was financed entirely by the Metropolitan Corporation.

During 1988, the Metro Toronto Zoo enlightened and entertained over 1.4 million visitors with its outstanding zoological collection, new exhibits and special events. The attendance for 1988 was the highest yet, excluding 1985, the year of the panda exhibition. In addition a major technical study examining the role of research at the Zoo was adopted by the Board of Management during the year. The goals of the program include improving captive animal husbandry techniques and the conservation of endangered plant and animal species.

BOARD OF MANAGEMENT OF THE O'KEEFE CENTRE

A Board of Management operates and manages the O'Keefe Centre for the Performing Arts as a theatre under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto. Net operating income is payable to the Metropolitan Corporation and the Corporation is responsible for funding any deficit.

The O'Keefe Centre has generated net income from operations in each of the past ten years. The 1988 total surplus of $1,147,000 was credited to the general revenues of the Metropolitan Corporation. Over the past ten years, the Centre has spent in excess of $7.3 million on renovations which have been funded 75% from the Metropolitan Corporation's operating budget and 25% from a ticket surcharge.

During 1988, approximately 700,000 patrons attended 270 performances as the Centre continued to provide entertainment for a diversity of audiences consistent with the responsibilities of a publicly-owned theatre to its community: musicals, revues, opera, ballet, symphony, drama, jazz, and special community social and cultural events. The Centre is also the home for two world-renowned cultural companies, the National Ballet of Canada and the Canadian Opera Company.

BOARD OF MANAGEMENT OF THE GUILD

A Board of Management representing Metropolitan Toronto and the Province of Ontario was created in 1984 to oversee the operation, management and maintenance of the Guild Inn and adjoining lands, and to develop recommendations for the most appropriate future uses of the property and for the future management structure of The Guild.

In November 1986, Metropolitan Council recommended that the hotel operations of The Guild be leased to an experienced hotel operator under a long term operating agreement. An agreement between the Municipality of Metropolitan Toronto and Giant Step Realty Corporation, effective September 1, 1988, provides for the latter to be responsible for the operation of the hotel, although final approval on all major capital projects respecting the hotel rests with the Board of Management. The cultural activities of The Guild continue to remain the direct responsibility of the Board.

Net revenue in respect of the hotel operations for the first eight months of 1988 amounted to $1,100,000. Operating expenses totalled $1,481,000 resulting in an operating deficit of $381,000 which was funded by the Metropolitan Corporation. The 1988 net cost of operating the Cultural Office of $76,000 was also financed by the Municipality.

During 1988 a feasibility study in regard to the establishment of a cultural centre at The Guild was concluded, and an Implementation Committee established to recommend an action plan to the Board of Management.

CURRENT OPERATIONS

EXPENDITURES

In 1988, the general operating activities of the Municipality and its consolidated local boards and municipal enterprises resulted in a total gross expenditure of $2,307,860,000 (1987 – $2,102,533,000) as compared with a total gross operating budget of $2,313,592,000.

The table below details the expenditure for the year classified by program and by object.

Dollars in thousands

	1988 Budget	1988 Actual	%	1987 Actual	%	Increase (Decrease) 1988 Actual over 1987 Actual	Increase (Decrease) 1988 Actual over 1988 Budget
PROGRAM							
General government	$ 113,194	$ 111,513	4.8	$ 96,517	4.6	$ 14,996	$ (1,681)
Protection to persons and property	444,651	439,345	19.0	409,502	19.5	29,843	(5,306)(a)
Transportation services	731,215	725,479	31.4	674,345	32.1	51,134	(5,736)(a)
Environmental services	241,399	253,997	11.0	228,726	10.9	25,271	12,598 (b)
Health services	54,826	55,062	2.4	49,137	2.3	5,925	236
Social and family services	575,968	566,757	24.6	495,316	23.5	71,441	(9,211)(a)
Recreation and cultural services	138,534	142,600	6.2	136,966	6.5	5,634	4,066 (c)
Planning and development	13,805	13,107	0.6	12,024	0.6	1,083	(698)
	$2,313,592	$2,307,860	100.0	$2,102,533	100.0	$205,327	$ (5,732)
OBJECT							
Salaries, wages and employee benefits		$1,187,051	51.4	$1,096,017	52.1	$ 91,034	
Materials, supplies, services, rents and financial expenses		499,552	21.7	440,605	21.0	58,947	
Capital additions		55,327	2.4	44,670	2.1	10,657	
Operating transfers to other funds		88,403	3.8	80,718	3.8	7,685	
Other transfers		295,655	12.8	263,074	12.6	32,581	
Capital financing charges		181,872	7.9	177,449	8.4	4,423	
		$2,307,860	100.0	$2,102,533	100.0	$205,327	

Note: (a) For an explanation of these significant positive variances, see "Accumulated Net Revenue" section on page 23.

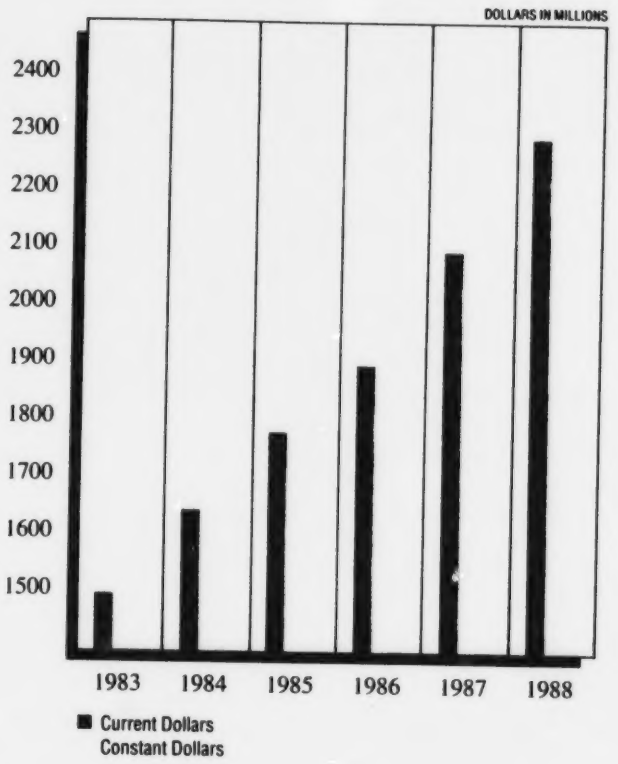
(b) Overexpenditure is due to purchase of additional compaction equipment for landfill operations and greater than estimated cost of recycling operations. Also, the waterworks surplus for the year transferred to the Reserve Fund for Water Pollution Control Measures was $3,403,000 higher than anticipated.

(c) Higher than anticipated operating expenditures were incurred by the O'Keefe Centre although this was more than offset by higher operating revenues.

As in the past several years, the operations of the Toronto Transit Commission, the Board of Commissioners of Police and the Community Services Department received, at 70% (1987-71%), the largest portion of the total operating funds to finance their activities.

CURRENT EXPENDITURES 1983-1988

The following graph details total current expenditures over the past six years in both current and 1983 constant dollars.



REVENUE

There are four major categories of revenue of the Metropolitan Corporation:

(i) Levy requisitions upon the constituent Area Municipalities (principally the general tax levy but including also the sale of water), 36% of the total;

(ii) Provincial grants (unconditional and specific), 28% of the total;

(iii) User charges in respect of municipal services, 31% of the total;

(iv) Other operating and miscellaneous revenues, 5% of the total.

Statistics over the past six years indicate that the percentage of revenue contributed by each major source has experienced little change during that period of time.

LEVY REQUISITIONS UPON AREA MUNICIPALITIES

GENERAL TAX LEVY

The Metropolitan Corporation levies sums of money, not mill rates, on the constituent area municipalities. However, it has been customary, for purposes of yearly comparisons, to express the total general levy in terms of an "average equivalent residential mill rate". The actual mill rates levied for Metropolitan purposes by area municipalities vary from this "average", due to a combination of factors.

The assessment figures used for purposes of apportionment of the Metropolitan levy include, in addition to taxable amounts, the equivalent assessed value of all properties for which the area municipalities receive payment in lieu of taxes and also equivalent assessments in respect of telephone and telegraph company receipts and certain Provincial grants. Provincial legislation provides for the general tax levy to be distributed by area municipality on the basis of weighted assessment; weighted assessment being the total of commercial assessment and 85% of residential assessment.

The Metropolitan general levy requirement is apportioned over the six area municipalities on the basis of this weighted total general Metropolitan assessment to determine the net amount of money actually levied upon each area municipality. Such sums are then converted by each area municipality into its own residential and commercial mill rates, based on taxable assessments, with the residential rate established at 85% of the commercial rate. These rates will differ from the Metropolitan "average equivalent residential mill rate", which is simply an expression of the net Metropolitan levy in relation to the total Metropolitan "equalized assessment" used in the apportionment process.

For purposes of comparing the Metropolitan general levy in 1988 with that in 1987, the calculated "average equivalent residential mill rate" indicates an increase of 2.3 mills or 3.2% in 1988 as follows:

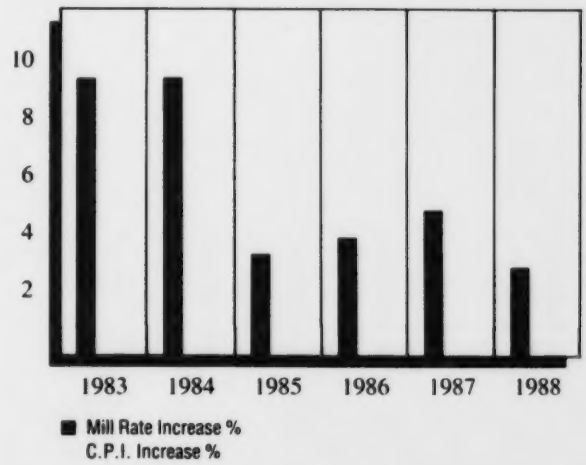
Dollars in thousands

	General Levy	Weighted Assessment	"Average Equivalent Residential Mill Rate"
1988	$747,717	$8,569,406	74.2
1987	708,456	8,377,241	71.9
Increase 1988 over 1987	$ 39,261	$ 192,165	2.3
% Increase	5.5	2.3	3.2

The following table details the individual 1988 and 1987 residential mill rates for general purposes levied by the Metropolitan area municipalities.

	1988	1987	Increase 1988 over 1987	
				%
City of Toronto	81.22	79.19	2.03	2.6
City of North York	76.05	73.41	2.64	3.6
City of Etobicoke	76.78	74.12	2.66	3.6
City of Scarborough	76.59	73.14	3.45	4.7
City of York	73.46	72.26	1.20	1.7
Borough of East York	74.74	72.88	1.86	2.6

The following graph compares the increase in the Metropolitan "average equivalent residential mill rate" with annual consumer price increases over the last six years.



TAX COLLECTION

The Area Municipalities are reponsible for the billing and collection of taxes for their own purposes as well as for the Metropolitan Corporation and boards of education. Taxes which are not paid when due are subject to an interest penalty which is added to the tax arrears and collected as taxes. Generally, the Area Municipalities collect taxes in six instalments throughout the year. The following table sets forth the combined tax collection record of the Area Municipalities for the years 1983 through 1988.

Dollars in thousands

Year	Current Taxes Billed	Total Arrears Including Penalties and Interest	Total Tax Arrears as % of Current Taxes Billed	Total Collections	Total Collections as % of Current Taxes Billed
1983	$2,091,270	$108,355	5.2	$2,098,982	100.4
1984	2,283,463	103,172	4.5	2,297,102	100.6
1985	2,457,939	96,678	3.9	2,451,276	99.7
1986	2,670,872	109,154	4.1	2,641,483	98.9
1987	2,909,273	108,141	3.7	2,859,705	98.3
1988	3,026,238	98,475	3.3	3,043,534	100.6

The total arrears of $98,475,000 outstanding at December 31, 1988 was composed of the following:

Dollars in thousands

		%
Unpaid taxes from 1988	$74,788	76.0
Unpaid taxes from 1987	9,572	9.7
Unpaid taxes for years prior to 1987	8,414	8.5
Penalties and interest	5,701	5.8
	$98,475	100.0

SALE OF WATER TO AREA MUNICIPALITIES

Revenues deriving from the sale of water to the six constituent area municipalities are reported within the category of "Levy Requisitions" in conformance with Provincial financial reporting requirements.

Due to the availability of an accumulation of water supply surplus revenues from prior years, Metropolitan Council approved a reduction in water rates from 15.30 cents per cubic metre of water in 1985 to 13.88 cents for 1986, and retained the rate at the same level for 1987. The rate was dropped even further to 13.30 cents per cubic metre for 1988.

The administration of the water supply function is the responsibility of the Metropolitan Waterworks System, a municipal enterprise of the Metropolitan Corporation, and its operation has been explained in some detail on page 15.

PROVINCIAL GRANTS

Provincial grant transfers to the Municipality comprise unconditional grants (household grants for general and policing purposes, and a general support grant) and conditional grants, primarily based on eligible municipal expenditures.

While the rate for the general support grant calculation remained unchanged at 6% of the "net general dollar levy" of the previous year, the base was expanded in 1988 to include the police household grant. This resulted in an increase in the general support grant from $53,542,000 in 1987 to $60,057,000 in 1988, an increase of $6,515,000 or 12% over 1987.

The total of grants and subsidies received from the Province during 1988 was $647,931,000 compared with $578,623,000 in 1987, an increase of 12.0%. This increase is essentially a reflection of increased spending in functional areas eligible for continuing Provincial subsidies.

USER CHARGES

Within the category of user charges are revenues arising from the provision of municipal services by the Municipality, its boards, commissions and enterprises. Examples are: transit fares; admission fees to the Canadian National Exhibition, Exhibition Stadium, the Metropolitan Toronto Zoo, the O'Keefe Centre; rents, concessions and franchises; licences and permits; sales of equipment; refuse disposal charges; island ferry revenue and other like user-oriented revenue.

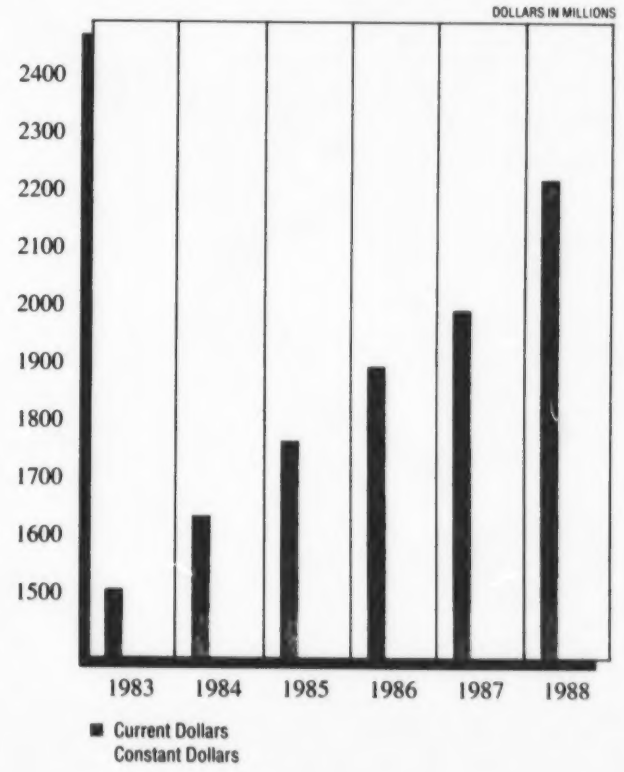
Also classified as user charges is a sewer surcharge levied upon the sale of water to the Metropolitan area municipalities, the proceeds of which are credited to the general revenue of the Metropolitan Corporation and used to defray the costs of water pollution control operations. This surcharge, originally instituted in 1974 at the rate of 10% of water sales, has steadily been increased over the last fourteen years and stood at 150% in 1988 (1987-124%). Metropolitan Council's objective is to fund the total cost of operation of the water pollution function entirely from this surcharge, and since water pollution costs exceed those of water supply, the surcharge has accordingly increased beyond 100% of the water rate.

OTHER OPERATING AND MISCELLANEOUS REVENUES

These represent all other revenues which arise from operations and activities incidental to the discharge of the primary functions of the Municipality and include such sources as investment income, parking tag revenue, library fines and revenues from the sale of surplus land.

CURRENT REVENUES 1983-1988

The graph below details total current revenues over the past six years in both current and 1983 constant dollars.



ACCUMULATED NET REVENUE

The 1988 current fund surplus in respect of general municipal purpose operations was in excess of $32 million, representing the 35th consecutive annual surplus, and is attributable to a number of circumstances, the more significant being:

(a) the metropolitan share of supplementary taxes levied by the area municipalities was higher than anticipated;
(b) underexpenditures in police payroll costs due to actual staffing levels being lower than budgeted;
(c) higher than anticipated transit ridership and general transit revenue; lower than anticipated transit payroll and other operating costs;
(d) underexpenditures in roads, traffic and winter maintenance programs;
(e) increased tipping fees at landfill sites and transfer stations; higher than projected revenue from sewage and waste treatment and from the surcharge on the sale of water;
(f) higher than estimated proportion of general welfare assistance caseload eligible for 100% subsidy;
(g) operating income at O'Keefe Centre higher than anticipated; net cost of operation of Metro Toronto Zoo lower than budget.

CAPITAL OPERATIONS

Gross capital expenditures in 1988 amounted to $392,967,000, an increase of 20% compared with 1987. Of this sum, $116,876,000, or 30%, was spent on expansion and improvements to the transit system, while sewage and refuse disposal capital expenditure, at $76,698,000, accounted for 19%. Land acquisition costs in respect of the new headquarters for the Metropolitan Corporation amounted to $52,159,000 (13%), while capital expenditures incurred for the purposes of the Metropolitan Police Commission totalled $25,369,000 (6%).

During 1988, convenient surface transit to Toronto's downtown waterfront area began to take shape as the 2.13 km., $58.3 million Harbourfront Light Rail Transit line passed the halfway point of construction. In addition, a new $25.6 million garage, providing maintenance and storage for up to 250 buses, was opened in 1988, and sixty new H-6 subway cars entered service during the year.

Total financing of capital expenditures during 1988 amounted to $304,262,000, comprised principally of provincial capital grants in the sum of $113,742,000 (37%), contributions from current funds of $111,052,000 (36%) and long term debt incurred of $32,400,000 (11%). In addition, other miscellaneous sources of capital financing such as proceeds form the sale of capital assets and sundry capital contributions and recoveries totalled $32,994,000 (11%), while excess sinking fund investmer . earnings on matured debenture debt amounted to $14,074,000 (5%).

RESERVES AND RESERVE FUNDS

The table below lists the year end balances in the total consolidated reserves and reserve funds of the Municipality over the last six years in relation to total operating expenditures:

Dollars in thousands

	Reserves and Reserve Funds	Total Operating Expenditures	Percentage
1983	$ 59,504	$1,516,614	3.9
1984	87,058	1,652,959	5.3
1985	97,133	1,787,461	5.4
1986	135,728	1,912,871	7.1
1987	187,567	2,102,533	8.9
1988	287,001	2,307,860	12.4

A Reserve for Arbitration Contingencies in the sum of $15,000,000 was initially established in 1984 in regard to certain matters that had been in arbitration and could give rise to

potential liabilities. Additional contributions have been made over the intervening years and the reserve stood at $25,347,000 at the end of 1988.

In 1985, Metropolitan Council approved the creation of a $10,000,000 Reserve for Stabilization of Water Rates for the purpose of absorbing any future potential losses which could be experienced under extremes of adverse weather or operating conditions. Following the obtaining of necessary enabling legislation, the sum of $24,882,000, representing the remaining balance of accumulated net revenue at the credit of the Waterworks System as at December 31, 1986, was transferred at that date to a Reserve Fund for Water Pollution Control Measures to be applied to finance water polution control projects to be identified in annual budget reviews. With like transfers of $6,228,000 and $7,864,000 representing the 1987 and 1988 water supply surpluses respectively, along with interest earned, the balance of this Reserve Fund stood at $44,118,000 as at December 31, 1988.

During 1988, Metropolitan Council significantly increased its reserves and reserve funds through provisions for pollution control purposes, public liability insurance, additional refuse disposal capacity and the capital costs of establishing a new headquarters for the Metropolitan Corporation.

LONG RANGE CAPITAL AND FINANCIAL PLANNING

CAPITAL EXPENDITURE FINANCED FROM CURRENT FUNDS

Metropolitan Council's long-range capital and financial planning policy for its general municipal purpose and municipal enterprise operations is designed to ensure a balanced financing mix between internally generated revenues and debenture financing for the Municipality's capital expenditures and other long term capital improvements. The capital financing policy adopted is designed to stabilize the contribution of the revenue fund towards capital expenditures at a level generally of 50 per cent. of the actual net capital financing requirements for each year. The current policy of Council is to allocate within the operating budget an amount equivalent to a levy of 6 mills to meet this expenditure. To the extent that this annual provision to finance capital expenditures out of current funds exceeds this limit, the excess is transferred to a capital financing stabilization reserve; conversely, if such annual provision amounts to less than the 50 per cent. guideline, the shortfall is met by a draw upon the reserve.

Net capital expenditures for general municipal purposes in 1988 to be financed up to 50 per cent. by the current levy in accordance with this policy amounted to $66,531,000. The 1988 current levy provided the sum of $55,725,000 and accordingly the full amount available in the Capital Financing Stabilizing Reserve in the sum of $6,123,000 was utilized towards the current contribution financing of the net capital expenditures for the year. The balance of $4,683,000 will be financed by a future debenture issue.

GUIDELINES FOR FUTURE CAPITAL EXPENDITURE

In 1985, Metropolitan Council approved a ten-year plan of capital expenditure and associated debt management guidelines, following a comprehensive financial planning study designed to identify measures to further control the Corporation's capital expenditures and debt servicing charges within limits considered necessary to achieve multi-year financial targets established by Council. The study projected over a 10-year period the levels of net capital expenditures in various functional areas, with a view to determining priorities as between competing service demands for capital resources and relating such multi-year expenditure levels and priorities to debt management policy guidelines.

Recommendations included:

(a) specific net capital expenditure targets for the next five years and further five year targets to be utilized as a planning guide;
(b) specific criteria for the management of debt;
(c) a process to review and update the plan on an annual basis.

The expenditure targets approved by Metropolitan Council are based on three key guidelines:

(a) percentage of fixed debt charges in the levy should average no more than 15 per cent.;
(b) percentage of net capital expenditure to be raised in the levy should be no less than 50 per cent.; and
(c) the mill rate should increase each year by no more than the estimated inflation rate within the economy as measured by the Consumer Price Index in the absence of significant expansion of existing programs or the introduction of new programs.

These guidelines form the basis of the Budget Sub-Committee's review of future Five-Year Capital Works Programs; any revisions to long term capital expenditure targets arising from such reviews are the subject of subsequent reports to Metropolitan Council.

It is intended that an update of the 1985 study of capital expenditure levels and priorities, together with associated debt management policy guidelines, will be presented to Metropolitan Council in the near future: revised overall corporate targets, together with targets for individual departments, boards and agencies, will be determined at that time.

DEBT ADMINISTRATION

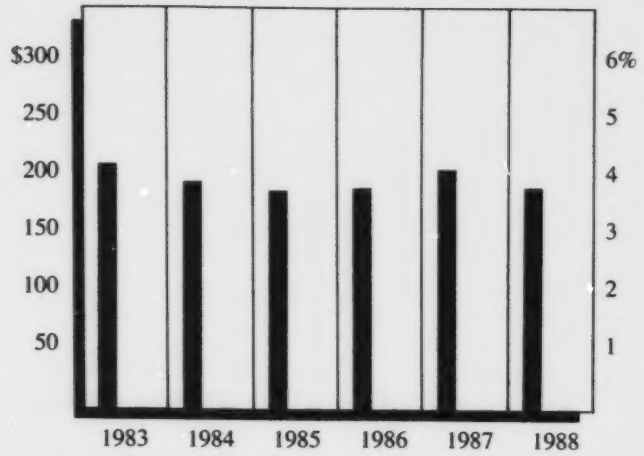
DEBT STRUCTURE

The following table portrays the net long term liabilities of the Municipality of Metropolitan Toronto over the last six years in respect of its own general municipal activities and municipal enterprises (exclusive of those of the Area Municipalities). Net long term liabilities in respect of general municipal purposes are also expressed on a per capita basis and as a percentage of taxable assessment.

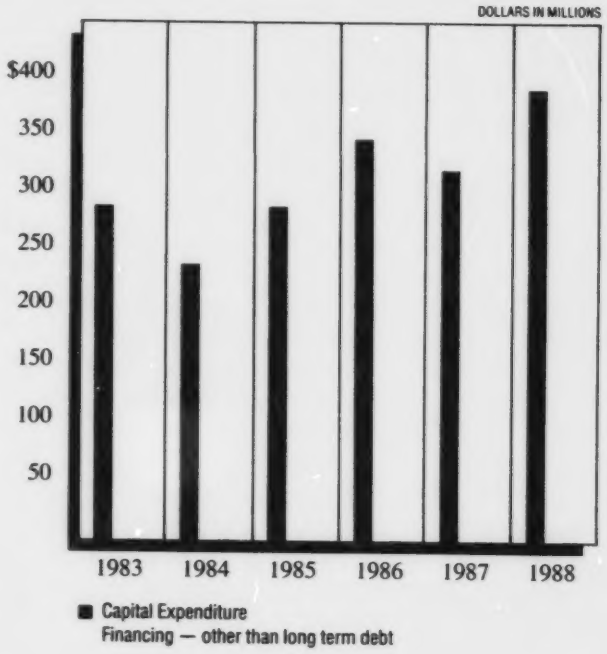
Dollars in thousands, except per capita figures

	General Municipal Activities	Per Capita	% of Taxable Assessment	Municipal Enterprises
1983	$442.971	$209	5.6	$119.055
1984	424.222	199	5.3	108.171
1985	399.111	186	4.9	97.590
1986	408.783	192	5.0	83.296
1987	443.104	208	5.3	68.047
1988	405.040	190	4.7	52.821

Metropolitan Council's capital financing policy involving a "pay-as-you-go" annual provision of 50 per cent. of capital borrowing requirements, as previously described, has been over the last several years one of the most significant contributing factors in the stabilization of the Corporation's long term debt. The following chart illustrates the net long term liabilities for general municipal activities expressed in per capita terms and as a percentage of taxable assessment.



The "pay-as-you-go" capital financing policy is further highlighted in the following chart which portrays the Corporation's capital expenditures over the last six years together with all sources of financing other than long term debt.



DEBT SERVICING

During the past 6 years, debt service charges for the general municipal purposes of the Metropolitan Corporation, as a percentage of the annual general tax levy on Metropolitan taxpayers, have declined from 16.0 per cent. to 13.9 per cent. and as a percentage of gross expenditure from 7.9 per cent. to 6.1 per cent. as shown by the following tables:

Dollars in thousands

	Debt Charges	General Tax Levy	Percentage
1983	$ 87.744	$ 547.650	16.0
1984	91.797	606.231	15.1
1985	93.936	635.820	14.8
1986	93.810	674.474	13.9
1987	98.695	726.707	13.6
1988	106.341	763.301	13.9

	Debt Charges	Gross Expenditure	Percentage
1983	$ 87.744	$1.112.253	7.9
1984	91.797	1.219.647	7.5
1985	93.936	1.310.864	7.2
1986	93.810	1.402.540	6.7
1987	98.695	1.560.063	6.3
1988	106.341	1.737.896	6.1

DEBT RECORD

The Metropolitan Corporation has consistently paid the full amount of the principal and interest for every security issued by it, or for which it has become liable; all when due and in the lawful currency of the country where it became payable.

Included in the Statistical section is information in tabular and graphic form relating to the total debenture debt of the Metropolitan Area. In addition, a comprehensive portrayal of Metropolitan Corporation Debenture Debt is contained in the Municipality's Debenture Debt Report issued annually, copies of which are avilable at the address indicated on the back cover of this Report.

SINKING FUNDS

The Municipality of Metropolitan Toronto Act provides that upon the issuance of sinking fund debentures, specific sums shall be levied annually which, together with interest capitalized yearly thereon at interest rates not exceeding 8%, will be sufficient to repay the debentures in full at maturity.

As a result of the actuarial interest rates employed, surplus earnings related to debt service for all the participants in the funds have consistently been achieved and have been applied, where applicable, to reduce levies for debt service during the term of the debentures. The reserve for abatement of such levies as at December 31, 1988 amounted to $56,550,000 in the Canadian Fund and US$25,371,000 in the U.S. Fund. In addition, amounts of Cdn$25,815,000 and US$1,153,000 of surplus funds, accumulated in excess of debts at maturity, are payable to the participants in the Funds. The sinking fund accumulated surplus in excess of the actuarial requirements and the reserve for abatement of future levies amounted to $36,294,000 in the Canadian Fund and US$7,723,000 in the U.S. Fund at December 31, 1988.

SIGNIFICANT ACTIVITIES

WORLD ECONOMIC SUMMIT

In June 1988, the Municipality of Metropolitan Toronto, in co-operation with the City of Toronto, played municipal host at the 14th World Economic Summit attended by the leaders

of the seven major industrialized democracies — the first time the summit was held in an urban North American centre. The Municipality was successful in meeting its commitments to the Federal Government during the Summit and, in so doing, received a significant amount of favourable international media attention portraying Metropolitan Toronto as a thriving business community and tourist destination.

The Summit mobilized the resources, energies and dedication of a number of metropolitan departments and agencies, including the Police, Ambulance, Roads, Parks, Works and Clerk's departments, and the Toronto Transit Commission. For its part, the Treasury Department assumed responsibility for accounting support for all activities involving the Summit. The Department also prepared a special commemorative brochure highlighting the nature, scope and functions of the Metropolitan Toronto government which was distributed at the Business Information Pavilion in Summit Square.

The World Economic Summit provided an exciting opportunity to showcase our community, to enhance our profile as an attractive, dynamic metropolis and to build awareness in the world community that Metropolitan Toronto is an ideal location for high profile, prestigious international endeavours.

SOLID WASTE MANAGEMENT

The rapidly diminishing approved landfill space to accommodate some 3.25 million tonnes of solid waste annually has prompted a change in the approach of the Municipality of Metropolitan Toronto towards solid waste management issues. Alternatives to conventional landfill and incineration facilities were vigorously explored during the year, while at the same time, a concerted effort was made to encourage public participation in solid waste management and to accept a change in habits necessary to reduce the quantity of waste. During 1988 a number of initiatives were undertaken, including an update of the Waste Management Master Plan; an interim landfill site search concentrated in areas east of Metro Toronto; introduction and financial support for multi-material curbside recycling programs; continuation of the waste diversion credit to area municipalities; and pilot studies into a multitude of waste recovery programs. Finally, a substantial increase in fees charged to the private sector was instituted ($18.07 to $50.00 per tonne at landfills) to encourage the reduction of waste at source. The proceeds in excess of actual current year costs of disposal are being placed at the credit of a Waste Reserve Fund to finance the future costs of solid waste disposal.

CONCLUSION

The Metropolitan Corporation's 1988 fiscal performance exhibited stability and strength and the Municipality continued to retain the highest possible credit rating in the international bond market. The ongoing pressure to respond to the demand for further capital service improvements, however, combined with the emerging movement towards fiscal retrenchment on the part of our senior levels of government, underscores even further the importance of prudent and sound financial management policy in addressing the challenges and opportunities of the future.

Respectfully submitted.

JOHN L. PICKARD, B. Com., FCA
Commissioner of Finance and Treasurer
August, 1989

Marina at Bluffer's Park in Scarborough, with its public launch facilities for recreational boats and sailors as well as open space for private yacht clubs, is one of several metropolitan parks and recreation facilities.

Metropolitan Council in adopting its 10-year Concept Plan of Major Recreation Facilities notes that ". . . recreation pursuits were shifting to more casual, individual, adult-oriented activities, providing opportunities for socialization, self-fulfillment and lifestyle enrichment . . . ."

Metro's Canadian National Exhibition . . . designed to appeal to all ages and all walks of life in a kaleidoscope fully representative of all walks of life and all areas of human endeavour.

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department
7th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 392-8030

Allan G. Andrews, C.A, *Metropolitan Auditor*

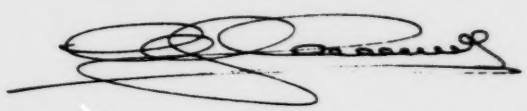
April 28, 1989

AUDITOR'S REPORT

**The Chairman and Members of the
Metropolitan Council of the
Municipality of Metropolitan Toronto**

I have examined the consolidated balance sheet of the Municipality of Metropolitan Toronto as at December 31, 1988 and the consolidated statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Municipality as at December 31, 1988 and the results of its operations for the year then ended in accordance with generally accepted accounting principles for Ontario municipalities applied, after giving retroactive effect to the change in accounting policy as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.



METROPOLITAN AUDITOR

	Dollars in thousands	
LIABILITIES AND FUND BALANCES	**1988**	1987
Current liabilities		
Temporary loans	**$ 2,999**	$ 4,404
Accounts payable and accrued liabilities	**404,624**	387,981
Other current liabilities (note 5)	**40,483**	35,257
	448,106	427,642
Long term payables	**—**	600
Net long term liabilities (notes 2, 8)	**457,861**	511,151
Fund balances at end of year		
To be used to offset taxation in the following year (note 11)	**32,982**	57,670
Transit operations (notes 10, 11)	**(26,231)**	(34,973)
Unexpended capital financing (Capital operations not yet permanently financed) (note 11)	**(68,025)**	20,680
Reserves (note 12)	**98,898**	101,123
Reserve funds (note 12)	**188,103**	86,444
	$1,131,694	$1,170,337

MUNICIPALITY OF METROPOLITAN TORONTO

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1988

SOURCES OF FINANCING	1988	1987
Taxation and user charges		
Requisition on local municipalities	**$ 2,207,849**	$ 2,092,580
Less school board requisition	**(1,379,891)**	(1,299,401)
User charges	**752,968**	656,178
Grants		
Government of Canada	**2,091**	2,290
Province of Ontario	**761,673**	707,703
Other		
Investment income	**32,329**	27,954
Sale of land	**24,307**	8,535
Fines	**42,742**	30,318
Other	**53,279**	35,037
Proceeds from the issue of long term liabilities	**32,107**	89,714
Municipal fund balances at beginning of year (note 11)		
To be used to offset taxation in the following year	**57,670**	52,710
Transit operations (note 10)	**(34,973)**	(20,071)
Unexpended capital financing (Capital operations not yet permanently financed)	**20,680**	(14,850)
Total financing available during the year	**$ 2,572,831**	$ 2,368,697

see accompanying notes

Dollars in thousands

APPLIED TO	1988	1987
Current operations (note 9)		
General government	$ 68,199	$ 62,266
Protection to persons and property	420,392	387,255
Transportation services	677,286	620,795
Environmental services	214,243	198,921
Health services	49,674	44,753
Social and family services	561,780	491,540
Recreation and cultural services	126,772	121,004
Planning and development	12,907	11,888
	2,131,253	1,938,422
Capital operations		
General government	60,763	1,102
Protection to persons and property	31,661	41,847
Transportation services	177,242	195,102
Environmental services	90,427	48,862
Health services	6,408	5,612
Social and family services	15,348	15,127
Recreation and cultural services	21,370	27,368
Planning and development	199	39
	403,418	335,059
Net appropriations to reserves and reserve funds	99,434	51,839
Municipal fund balances at end of year (note 11)		
To be used to offset taxation in the following year	32,982	57,670
Transit operations (note 10)	(26,231)	(34,973)
Unexpended capital financing (Capital operations not yet permanently financed)	(68,025)	20,680
Total applications during the year	$ 2,572,831	$ 2,368,697

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1988

1. ACCOUNTING POLICIES

The consolidated financial statements of the Corporation of the Municipality of Metropolitan Toronto are the representations of management prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs.

(a) Basis of Consolidation

(i) Consolidated entities

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the revenue fund, capital fund, reserves and reserve funds of the Municipality and include the activities of all committees of Council and the following boards and municipal enterprises which are under the control of Council:

Metropolitan Board of Commissioners of Police
Metropolitan Licensing Commission
Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Toronto Transit Commission
Gray Coach Lines, Limited
Board of Governors of Exhibition Place
Board of Management of the O'Keefe Centre
Board of Management of the Metropolitan Toronto Zoo
Board of Management of the Guild

All interfund assets and liabilities and sources of financing and expenditures have been eliminated with the exception of loans or advances between reserve funds and any other fund of the municipality and the resulting interest income and expenditures.

(ii) Non-consolidated entities

The following entities are not consolidated:

Metropolitan Toronto Housing Company Limited
Metropolitan Toronto Housing Development Corporation
Metropolitan Toronto School Board

(iii) Accounting for school board transactions

The Consolidated Statement of Operations reflects the Metropolitan Toronto Education Levy requisitioned upon the Metropolitan Toronto area municipalities and the subsequent transfer thereof to the Metropolitan Toronto School Board.

(iv) Trust funds

Trust funds and their related operations administered by the municipality are not consolidated but are reported separately on the Trust Funds Statement of Continuity and Balance Sheet.

(b) Basis of Accounting

(i) Revenue and expenditure recognition

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(ii) Charges for long term liabilities

Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal charges on long term liabilities which are charged against operations in the periods in which they are paid.

(iii) Fixed assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.

(iv) Capital outlay financed by long term liabilities and to be recovered in future years

"Capital outlay financed by long term liabilities and to be recovered in future years", as reported on the Consolidated Balance Sheet, represents the sum of:

- the outstanding principal portion of unmatured long term liabilities for municipal expenditures;
- long term obligations arising out of capital leases entered into by the municipality and its local boards;
- capital funds transferred to those local boards and municipal enterprises of the municipality for which it is authorized to incur debt.

(v) Liabilities payable in foreign currencies

Long term debt payable in foreign currencies has been translated into Canadian funds at the exchange rate prevailing at December 31, 1988.

(vi) Inventories

Inventories are valued at average cost.

(vii) Restatement to municipal basis of accounting

The Toronto Transit Commission and Gray Coach Lines, Limited employ a commercial basis of accounting in reporting their capital transactions. The financial statements of these entities have been restated to reflect the foregoing municipal basis of accounting prior to their incorporation in these consolidated financial statements (see also note 10).

2. CHANGE IN ACCOUNTING POLICY

In prior years, long term debt payable in foreign currencies was reported based upon the rates of exchange prevailing at the time the liability was incurred. In 1988, as prescribed by the Ministry of Municipal Affairs, long term debt payable in foreign currencies has been recorded at the year end exchange rate.

This change in accounting policy resulted in an increase in net long term liabilities and capital outlay financed by long term liabilities and to be recovered in future years of $13,258,000 (1987 – $29,576,000). There is no effect on the Statement of Operations. Prior year's amounts have been restated to give effect to the change.

3. TRUST FUNDS

Trust funds administered by the Municipality and its local boards amounting to $86,189,000 (1987 – $26,381,000) have not been included in the Consolidated Balance Sheet nor have their operations been included in the Consolidated Statement of Operations.

4. INVESTMENTS

The unrestricted investments of $125,995,000 (1987 – $291,321,000) and restricted investments of $163,556,000 (1987 – $78,177,000) are reported on the Consolidated Balance Sheet at cost. The market value of these investments at the end of the year approximates cost.

5. SINKING FUNDS SURPLUS MONIES

The Sinking fund balances reflected in the value of net long term liabilities at the end of the year do not include specific accumulations at that date in excess of the total related debt. These accumulations amounting to $16,441,000 in 1988 (1987 – $15,122,000) are subject to a decision of The Metropolitan Council as to their use for either capital or current purposes. Accordingly, while they have been recorded as receivable, corresponding amounts have been set up as deferred revenue and are included on the Consolidated Balance Sheet under "Other Current Liabilities".

6. PENSION AGREEMENTS

(a) Ontario Municipal Employees Retirement Fund

The Municipality makes contributions to the Ontario Municipal Employees Retirement fund (OMERS), which is a multi-employer plan, on behalf of approximately 13,600 members (51%) of its staff. This plan is a defined benefit plan and specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay.

The amount contributed to OMERS for current service in 1988 was $28,508,000 (1987 – $27,170,000) and is included as an expenditure on the Consolidated Statement of Operations.

Under the past service provisions of the OMERS agreement, the Municipality is obligated at December 31, 1988, for an amount of approximately $3,665,000 (1987 – $4,187,000) as established for the plan. No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. In this regard $522,000 was funded in 1988 (1987 – $265,000) and is reported on the Consolidated Statement of Operations.

The latest actuarial valuation conducted at January 1, 1988, indicates that OMERS is in sound financial condition and that current member and employer contribution rates appear sufficient to fund future benefits.

(b) Other Pension Plans

The Municipality of Metropolitan Toronto and its various local boards and municipal enterprises are members in a number of other pension plans. These plans provide pensions based on length of service and final average earnings.

The amount contributed to these plans for current service in 1988 was $6,601,000 (1987 – $6,711,000) and is included as an expenditure on the Consolidated Statement of Operations.

Actuarial estimates indicate that, based on projections of employees' compensation levels to time of retirement, the present value of the unfunded obligations for pension benefits relating to past service was $32,183,000 as at December 31, 1988 (1987 – $38,659,000). This balance is being funded and charged to operations as follows:

Dollars in thousands

	1989 to 1992	1993 to 1994	Total
To be recovered from			
General municipal revenue	$24,617	$6,942	**$31,559**
Municipal enterprises	624	–	**624**
	$25,241	$6,942	**$32,183**

No provision has been made in the accounts for this obligation and the expense is recorded as funded annually. Expenditure for past service of $6,480,000 was made in 1988 (1987 – $9,716,000) and is reported on the Consolidated Statement of Operations.

7. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the employment of the Municipality and the following local boards and municipal enterprises:

Metropolitan Toronto Waterworks System
Metropolitan Toronto Library Board
Board of Governors of Exhibition Place
Board of Management of the Metropolitan Toronto Zoo
Metropolitan Toronto Housing Company Limited

The liability for these accumulated days, to the extent that they have vested and could be taken in cash by an employee on terminating, amounted to $96,505,000 (1987 – $91,354,000) at the end of the year.

In order to provide for this past service liability the Municipality has established a Corporate Sick Pay Reserve Fund. Contributions to this reserve fund are based on amounts deemed to be sufficient to provide for anticipated payments over a given period of time, and over the next nine years will be as follows:

Dollars in thousands

	1989 to 1991	1992 to 1994	1995 to 1997
Municipality	$11,090	$11,090	$11,090
Other participants	805	805	805

During 1988, the contributions to the reserve fund by the Municipality and other participants amounted to $2,425,000 and $168,000 respectively. At December 31, 1988, the balance of the Corporate Sick Pay Reserve Fund was $11,241,000 (1987 – $13,867,000).

Anticipated payments over the next five years to employees of the Municipality and its participating local boards and municipal enterprises who are eligible to retire are as follows:

Dollars in thousands

	1989	1990	1991	1992	1993
Municipality	$4,935	$5,103	$5,311	$5,514	$5,436
Other participants	325	354	391	373	384

8. NET LONG TERM LIABILITIES

(a) The net long term liabilities reported on the Consolidated Balance Sheet are made up of the following:

Dollars in thousands

	1988	1987
Total long term liabilities incurred by the Municipality including those incurred on behalf of school boards, other municipalities and municipal enterprises and outstanding at the end of the year amount to	$1,266,300	$1,378,595
In addition, the Municipality has assumed responsibility for the payment of principal and interest charges on certain long term liabilities issued by other municipalities. At the end of the year the outstanding principal amount of this liability is	413	479
Capital leases	4,058	5,853
Long term interest free loan payable to Province of Ontario	4,199	5,839
Of the long term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by school boards, other municipalities and by the Province of Ontario. At the end of the year, the outstanding principal amount of this liability is	(379,960)	(446,391)
The total value of sinking funds and the balance in the Ministry of the Environment Debt Retirement Fund which have been accumulated to the end of the year to retire the outstanding long term liabilities included above amount to	(437,149)	(433,224)
Net long term liabilities	$ 457,861	$ 511,151

(b) Net long term liabilities – future redemption

Of the net long term liabilities reported in (a) of this note, $189,608,000 in principal payments are payable from 1989 to 1993, $109,943,000 from 1994 to 1998, and $6,047,000 thereafter, and are summarized as follows:

Dollars in thousands

	1989 to 1993	1994 to 1998	1999 and thereafter	Total
From general municipal revenues	$167,825	$ 97,483	$5,200	$270,508
From consolidated municipal enterprises	21,783	12,460	847	35,090
	$189,608	$109,943	$6,047	$305,598

The difference between the total of principal redemption indicated above ($305,598,000) and the total of net long term liabilities reported in note 8(a) ($457,861,000) is related to the following two factors:

(i) Long term liabilities payable in U.S. funds reported in note (a) have been translated into Canadian funds at the exchange rate prevailing at December 31, 1988, whereas the projections of principal redemption above are based on $1 US = $1 Canadian.

(ii) The projections of principal redemption indicated above are based on the premise that actuarial sinking fund deposits (in respect of sinking fund debentures) will earn interest, capitalized yearly thereon, at a rate not exceeding 8% and which will be sufficient to repay such debentures in full at maturity.

(c) Translation of net long term liabilities payable in foreign currencies

Included in "Net long term liabilities" on the Consolidated Balance Sheet is an amount of US$121,651,000 (1987 – US$161,300,000) payable in U.S. funds and translated into Canadian funds at the rate of exchange prevailing at December 31, 1988.

(d) Ontario Municipal Board

Approval of the Ontario Municipal Board has been obtained for the debenture debt reported in (a) of this note issued in the name of the Municipality.

(e) Long term liabilities incurred on behalf of area municipalities, school boards and the Province of Ontario

The Municipality is contingently liable for long term liabilities for which the responsibility for the payment of principal and interest has been assumed by its area municipalities, school boards and the Province of Ontario. The total amount outstanding as at December 31, 1988 is $379,960,000 (1987 – $446,391,000) and is not recorded on the Consolidated Balance Sheet.

9. CHARGES FOR NET LONG TERM LIABILITIES

Total charges for the year for net long term liabilities which are reported on the Consolidated Statement of Operations are as follows:

Dollars in thousands

	1988	1987
Principal payments including contributions to sinking funds and the Ministry of the Environment Debt Retirement Fund	$ 43,588	$ 37,126
Interest	82,559	82,796
	$126,147	$119,922

The charges for long term liabilities assumed by the area municipalities, school boards and the Province of Ontario are not reflected in these statements.

10. EFFECT OF ADOPTION OF MUNICIPAL ACCOUNTING CONVENTIONS

As indicated in Note 1(b) (vii), the financial statements of the Toronto Transit Commission and Gray Coach Lines, Limited, have been restated to reflect a municipal basis of accounting for capital transactions prior to their incorporation in these consolidated financial statements. The effect of this restatement is as follows:

Dollars in thousands

	1988	1987
Equity on a commercial basis	$ 74,795	$ 60,002
Reduction in equity due to restatement	(101,026)	(94,975)
Deficit on a municipal basis	$ (26,231)	$(34,973)

11. MUNICIPAL FUND BALANCES AT THE END OF THE YEAR

The balances on the Consolidated Statement of Operations of municipal equity (deficit) at the end of the year consist of the following:

Dollars in thousands

	1988	1987
For general reduction of taxation	$ 32,982	$ 57,670
Transit operations — deficit arising as a result of restatement to municipal basis of accounting	(26,231)	(34,973)
Acquisition of fixed assets to be recovered through taxation or user charges	(69,309)	(27,504)
Acquisition of fixed assets to be financed from the proceeds of long term liabilities	(69,309)	(27,504)
Funds available for the acquisition of fixed assets	70,593	75,688
	(68,025)	20,680
	$ (61,274)	$ 43,377

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities.

12. RESERVES AND RESERVE FUNDS

The total balances of reserves and reserve funds are made up of the following:

Dollars in thousands

	1988	1987
Reserves set aside for specific purposes by Council		
Exchange stabilization	$ 4,987	$ 4,987
Replacement of equipment	4,739	5,269
Sick pay benefits	4,117	3,481
Capital financing stabilization	11,643	14,766
Parks and recreation program facilities	1,000	1,000
Refuse disposal purposes	430	3,451
Debenture repayment	4,840	5,000
Water rates stabilization	10,000	10,000
Transit purposes	26,600	21,300
Contingencies	30,347	31,869
Other	195	—
	98,898	101,123
Reserve funds set aside for specific purposes by Council		
Insurance	22,204	12,526
Sick pay benefits	11,241	13,867
Other employee benefits	9,715	—
Parks and recreation program facilities	4,183	3,060
Pollution control	44,118	33,457
Refuse disposal purposes	43,224	—
Property settlement	8,674	7,925
Metro Hall	43,905	15,048
Other	691	421
	187,955	86,304
Reserve funds set aside for specific purposes by legislation, regulation or agreement		
Lakeview Sewage Treatment Plant Contingency	148	140
	188,103	86,444
	$287,001	$187,567

13. CAPITAL FINANCING STABILIZATION RESERVE

(a) General municipal purposes

A Capital Financing Stabilization Reserve has been established to stabilize revenue fund contributions for capital expenditure. The current policy of Council for financing capital expenditures net of external financing and surplus sinking fund monies is to provide up to 50 per cent of the required financing by a current levy, the balance being provided from debenture proceeds. If the annual current levy produces funds greater or lesser than the foregoing guideline, such difference is transferred to or from the Reserve.

Net capital expenditures in 1988 to be financed up to 50 per cent by the current levy in accordance with this policy amounted to $66,531,000. The 1988 current levy provided the sum of $55,725,000 and accordingly the full amount available in the Capital Financing Stabilizing Reserve in the sum of $6,123,000 was utilized towards the current contribution financing of the net capital expenditures for the year. The balance of $4,683,000 will be financed by a future debenture issue.

(b) Waterworks purposes

A Capital Financing Stabilization Reserve similar to the above has been established for Waterworks purposes. The balance of this Reserve was $11,642,000 as at December 31, 1988 (1987 – $8,642,000).

14. PUBLIC LIABILITY INSURANCE

The Municipality of Metropolitan Toronto is a participant in the Metropolitan Municipalities' Group Liability program for which Trust Funds have been established and are administered by the Municipality of Metropolitan Toronto. In addition, the Municipality has established an Insurance Reserve Fund to meet losses in certain defined categories.

Settlement of claims is financed as follows:

First $10,000	Insurance reserve fund
$10,000 – $10,000,000	Trust funds
$10,000,000 – $25,000,000	Outside insurers
Excess of $25,000,000	Insurance reserve fund

At the end of the year, the estimated liability for all claims reported and not settled to be financed by the insurance reserve fund was $3,565,000. The balance of the Fund in the sum of $22,204,000 is considered adequate for this purpose and is, in any event, subject to ongoing review.

15. CONTRACTUAL OBLIGATIONS

(a) Metro Hall

The Metropolitan Council, in 1988, approved capital expenditures in the sum of $210,760,000 for the purpose of the construction of Metro Hall, a distinct and identifiable headquarters for the Metropolitan Corporation, with occupancy planned for 1992. Council further approved that such capital expenditures be financed by the issue of debentures having a term not exceeding 10 years and in an amount of $210,760,000 less the total of amounts available in the Reserve Fund for Capital Costs of Metro Hall.

The Reserve Fund for Capital Costs of Metro Hall was created by Metropolitan Council in 1987. In 1988, the sum of $30,000,000 (1987 – $15,000,000) was transferred to the Reserve Fund from current operations. The 1989 Operating Budget contains a provision for an additional contribution of $30,000,000. The balance of the Reserve Fund was $43,905,000 as at December 31, 1988 (1987 – $15,048,000).

(b) Domed Stadium

Metropolitan Council in 1985 approved a contribution towards the capital cost of construction of a domed stadium in a total amount not to exceed the lesser of $30,000,000 or 20 per cent of the total cost of the project. This contribution was approved as a current expenditure to be financed over a period of five years commencing in 1985 through the

establishment and maintenance of a reserve fund with provision being made annually in the current estimates. An amount of $22,100,000 has been contributed to December 31, 1988 and a further contribution of $7,900,000 will be made in 1989.

In addition, Council adopted as policy that it would not be responsible for any operating costs or financial losses of the stadium, nor provide any grants to related organizations.

16. BUDGET FIGURES

Budgets established for capital funds, reserves and reserve funds are compiled on a project-oriented basis, the activity in regard to which may occur over one or more years. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been reflected on the Consolidated Statement of Operations.

17. COMPARATIVE FIGURES

Certain of the 1987 figures presented here for comparative purposes have been restated to conform with the current year's presentation.

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CURRENT OPERATIONS

YEAR ENDED DECEMBER 31, 1988

Dollars in thousands

	1988	1987
Surplus at beginning of year	**$ 22,697**	$ 32,639
Revenue		
Taxation and user charges		
Requisition on local municipalities	**2,207,849**	2,092,580
Less school board requisition	**(1,379,891)**	(1,299,401)
User charges	**712,363**	652,490
Grants		
Government of Canada	**1,683**	1,915
Province of Ontario	**647,931**	578,623
Other		
Investment income	**20,984**	22,383
Sale of land	**19,090**	300
Fines	**42,742**	30,318
Other	**19,163**	13,383
	2,291,914	2,092,591
Expenditure		
General government	**111,513**	96,517
Protection to persons and property	**439,345**	409,502
Transportation services	**725,479**	674,345
Environmental services	**253,997**	228,726
Health services	**55,062**	49,137
Social and family services	**566,757**	495,316
Recreation and cultural services	**142,600**	136,966
Planning and development	**13,107**	12,024
	2,307,860	2,102,533
Surplus at end of year	**$ 6,751**	$ 22,697

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF CAPITAL OPERATIONS

YEAR ENDED DECEMBER 31, 1988

Dollars in thousands

	1988	1987
Unexpended capital financing (Capital operations not yet permanently financed) at beginning of year	**$ 20,680**	$ (14,850)
Financing		
Contributions from current operations	**111,052**	102,197
Contributions from reserves and reserve funds	**14,564**	10,718
Long term liabilities incurred	**32,400**	91,048
Ontario grants	**113,742**	129,080
Other	**32,504**	30,333
	304,262	363,376
Expenditure		
General government	**57,217**	1,095
Protection to persons and property	**31,693**	42,148
Transportation services	**177,366**	198,271
Environmental services	**90,510**	49,155
Health services	**6,414**	5,624
Social and family services	**15,378**	15,141
Recreation and cultural services	**14,190**	16,373
Planning and development	**199**	39
	392,967	327,846
Unexpected capital financing (Capital operations not yet permanently financed) at end of year	**$ (68,025)**	$ 20,680

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS

YEAR ENDED DECEMBER 31, 1988

Dollars in thousands

	1988	1987
Balance at beginning of year	**$ 187,567**	$ 135,728
Revenue		
Contributions from current operations	**88,403**	80,719
Contributions from capital operations	**—**	4,205
Contributions from others	**51,524**	4,113
Interest earned	**11,345**	5,571
	151,272	94,608
Expenditure		
Transfers to current operations	**3,682**	478
Transfers to capital operations	**14,564**	10,718
Other charges	**33,592**	31,573
	51,838	42,769
Balance at end of year	**$ 287,001**	$ 187,567

MUNICIPALITY OF METROPOLITAN TORONTO

ANALYSIS OF RESERVES AND RESERVE FUNDS

YEAR ENDED DECEMBER 31, 1988

Dollars in thousands

	1988	1987
Analyzed as follows:		
Reserves		
Exchange stabilization	$ 4,987	$ 4,987
Replacement of equipment	4,739	5,269
Sick pay benefits	4,117	3,481
Capital financing stabilization	11,643	14,766
Parks and recreation program facilities	1,000	1,000
Refuse disposal purposes	430	3,451
Debenture repayment	4,840	5,000
Water rates stabilization	10,000	10,000
Transit purposes	26,600	21,300
Contingencies	30,347	31,869
Other	195	—
	98,898	101,123
Reserve Funds		
Insurance	22,204	12,526
Sick pay benefits	11,241	13,867
Other employee benefits	9,715	—
Parks and recreation program facilities	4,183	3,060
Pollution control	44,118	33,457
Refuse disposal purposes	43,224	—
Property settlement	8,674	7,925
Metro Hall	43,905	15,048
Contingencies	148	140
Other	691	421
	188,103	86,444
Balance at end of year	$ 287,001	$ 187,567

CONSOLIDATED LOCAL BOARDS, COMMISSIONS AND AGENCIES

METROPOLITAN TORONTO WATERWORKS SYSTEM
439 University Avenue
10th Floor
Toronto, Ontario
M5G 1Y8

METROPOLITAN TORONTO LIBRARY BOARD
789 Yonge Street
Toronto, Ontario
M4W 2G8

TORONTO TRANSIT COMMISSION
1900 Yonge Street
Toronto, Ontario
M4S 1Z2

GRAY COACH LINES LTD.
180 Dundas Street West
Toronto, Ontario
M5G 1E5

BOARD OF GOVERNORS OF EXHIBITION PLACE
Exhibition Place
Toronto, Ontario
M6K 3C3

BOARD OF MANAGEMENT OF THE METROPLITAN TORONTO ZOO
Box 280
West Hill, Ontario
M1E 4R5

BOARD OF MANAGEMENT OF THE O'KEEFE CENTRE
1 Front Street East
Toronto, Ontario
M5E 1B2

BOARD OF MANAGEMENT OF THE GUILD
Guildwood Parkway
Scarborough, Ontario
M1E 1P6

For the Toronto Transit Commission, efficiency and convenience became the watchwords of 1988. And a new report "Back to Basics: A TTC Strategy for the 1990's" will help keep North America's premier transit system firmly on track.

Solid waste management issues virtually dominated Metro's agenda in 1988 . . . and will provide a litmus test of our ability to work together, with innovation and resourcefulness, to seek viable solutions in the interests of our community and those of our neighbours.

METROPOLITAN ASSESSMENT
LAST SIX FISCAL YEARS

Dollars in thousands, except per capita figures

Taxation Year	Residential	Commercial	Total	Total Assessment per Capita
1983	$4,489,762	$4,045,484	$8,535,246	$4,018
1984	4,579,090	4,133,651	8,712,741	4,087
1985	4,623,797	4,211,612	8,835,409	4,117
1986	4,630,423	4,315,798	8,946,221	4,198
1987	4,737,167	4,350,649	9,087,816	4,276
1988	4,787,674	4,499,882	9,287,556	4,364

The above schedule records unweighted assessment for both residential and commercial purposes. However, as indicated on page 19, commencing in 1984 provincial legislative changes provide for the Metropolitan general tax levy, distributed to each area municipality, to reflect weighted residential assessment.

DISTRIBUTION OF METROPOLITAN LEVIES – 1988

Dollars in thousands

Area Municipality	General Levy		Education Levy				Total Levy	
	Levy	%	Public	Secondary	Total	%	Amount	%
City of Toronto	$348,625	40.6	$357,091	$309,189	$ 666,280	41.4	**$1,014,905**	**41.2**
City of North York	200,026	23.3	197,702	170,516	368,218	22.9	**568,244**	**23.0**
City of Scarborough	134,324	15.7	134,591	114,793	249,384	15.5	**383,708**	**15.6**
City of Etobicoke	121,361	14.1	118,864	103,643	222,507	13.9	**343,868**	**13.9**
City of York	28,372	3.3	26,888	23,399	50,287	3.1	**78,659**	**3.2**
Borough of East York	25,358	3.0	27,352	23,637	50,989	3.2	**76,347**	**3.1**
	$858,066	100.0	$862,488	$745,177	$1,607,665	100.0	**$2,465,731**	**100.0**

CURRENT REVENUES BY SOURCE
LAST SIX FISCAL YEARS

Dollars in thousands

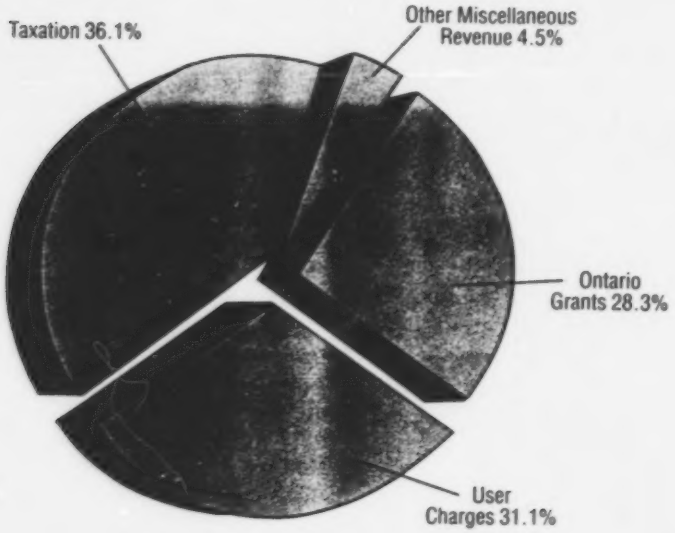
Year	Taxation	Ontario Grants	User Charges	Other Grants	Investment Income	Fines	Other	Total
1983	$610,693	$399,335	$448,809	$2,111	$13,631	$22,728	$23,454	**$1,520,761**
1984	671,539	426,715	498,801	2,512	17,804	22,558	16,049	**1,655,978**
1985	705,355	460,665	541,991	1,026	18,918	22,474	31,806	**1,782,235**
1986	737,954	510,294	589,551	1,574	21,468	29,740	15,440	**1,906,021**
1987	793,179	578,623	652,490	1,915	22,383	30,318	13,683	**2,092,591**
1988	827,958	647,931	712,363	1,683	20,984	42,742	38,253	**2,291,914**

CURRENT EXPENDITURES BY FUNCTION
LAST SIX FISCAL YEARS

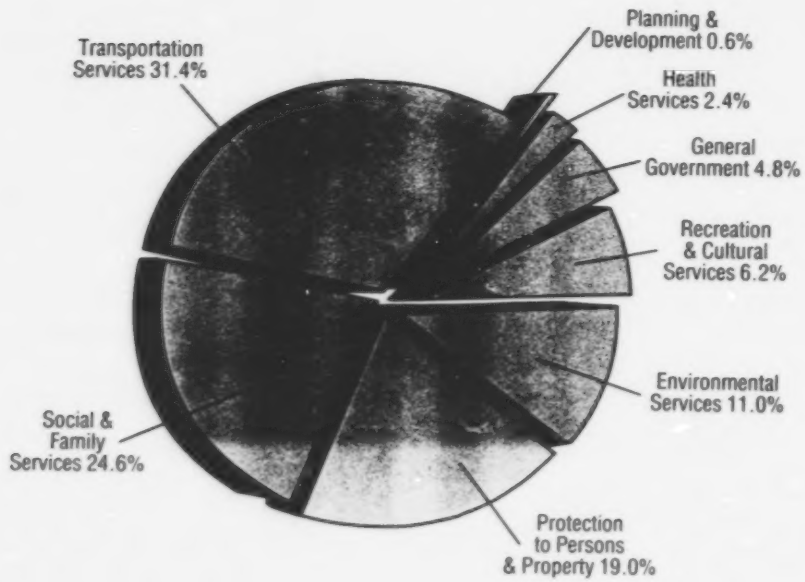
Dollars in thousands

Year	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
1983	$ 49,646	$315,461	$506,369	$184,710	$34,368	$322,282	$ 98,650	$ 5,128	**$1,516,614**
1984	68,927	341,084	527,752	198,530	39,271	354,675	113,301	9,419	**1,652,959**
1985	65,038	363,631	595,286	224,937	40,726	366,801	122,478	8,564	**1,787,461**
1986	65,133	387,458	618,290	237,929	44,144	421,863	126,661	11,393	**1,912,871**
1987	96,517	409,502	674,345	228,726	49,137	495,316	136,966	12,024	**2,102,533**
1988	111,513	439,345	725,479	253,997	55,062	566,757	142,600	13,107	**2,307,860**

1988 CURRENT REVENUES BY SOURCE



1988 CURRENT EXPENDITURES BY FUNCTION


Transportation Services 31.4%
Planning & Development 0.6%
Health Services 2.4%
General Government 4.8%
Recreation & Cultural Services 6.2%
Environmental Services 11.0%
Social & Family Services 24.6%
Protection to Persons & Property 19.0%

POPULATION, TAX LEVIES AND TAX COLLECTIONS OF THE METROPOLITAN AREA MUNICIPALITIES

Dollars in thousands, except per capita figures

Year	Population	Total Current Tax Levies — Amount	Total Current Tax Levies — Per Capita	Tax Collections as % of Current Tax Levies — Current	Tax Collections as % of Current Tax Levies — Current and Arrears
1979	2,155,724	$1,343,837	$ 623	95.4	99.6
1980	2,113,552	1,471,971	696	96.2	101.4
1981	2,110,973	1,650,999	782	95.8	99.8
1982	2,122,369	1,891,075	891	96.0	100.0
1983	2,124,085	2,091,270	985	96.4	100.4
1984	2,131,942	2,283,463	1,071	96.9	100.6
1985	2,145,900	2,457,939	1,145	97.3	99.7
1986	2,130,938	2,670,872	1,253	97.3	98.9
1987	2,125,520	2,909,273	1,369	97.4	98.3
1988	2,128,270	3,026,238	1,422	97.5	100.6

TAX LEVIES AND TAX COLLECTIONS OF THE METROPOLITAN AREA MUNICIPALITIES — 1988

Dollars in thousands, except per capita figures

Area Municipality	Current Tax Levies (including penalties and interest) — Own Purposes	Metropolitan Corporation	Education	Total Taxation	Per Capita	Tax Collections as % of Current Tax Levies — Current	Current and Arrears
City of Toronto	$279,372	$310,595	$ 651,440	$1,241,407	$2,090	96.8	100.3
City of North York	131,408	173,798	376,111	681,317	1,251	98.1	102.2
City of Scarborough	108,352	115,640	245,637	469,629	999	98.2	99.8
City of Etobicoke	80,025	109,936	231,737	421,698	1,442	98.2	100.6
City of York	34,050	25,210	56,260	115,520	882	96.1	97.9
Borough of East York	23,401	22,895	50,371	96,667	1,003	98.8	99.2
	$656,608	$758,074	$1,611,556	$3,026,238	$1,422	97.5	100.6

CAPITAL FINANCING BY SOURCE
LAST SIX FISCAL YEARS

Dollars in thousands

Year	Long-Term Liabilities Incurred	Contributions From Own Funds	Ontario Grants	Other	Total
1983	$38,160	$ 97,819	$115,171	$24,125	**$275,275**
1984	18,901	64,957	123,773	28,058	**235,689**
1985	11,645	91,573	142,507	26,566	**272,291**
1986	64,243	103,003	144,735	25,749	**337,730**
1987	91,048	112,915	129,080	30,333	**363,376**
1988	32,400	125,616	113,742	32,504	**304,262**

CAPITAL EXPENDITURES BY FUNCTION
LAST SIX FISCAL YEARS

Dollars in thousands

Year	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Total
1983	$ 432	$21,457	$174,675	$76,208	$2,822	$ 6,845	$10,366	$20	**$292,825**
1984	717	10,719	159,284	45,893	3,942	7,473	13,748	32	**241,808**
1985	455	23,550	201,172	38,185	3,494	7,115	17,715	46	**291,732**
1986	637	41,184	222,657	48,806	3,401	17,198	16,210	75	**350,168**
1987	1,095	42,148	198,271	49,155	5,624	15,141	16,373	39	**327,846**
1988	57,217	31,693	177,366	90,510	6,414	15,378	14,190	199	**392,967**

CAPITAL EXPENDITURES – 1988

CAPITAL PROJECTS ON WHICH EXPENDITURES EXCEEDED $5 MILLION

Dollars in thousands

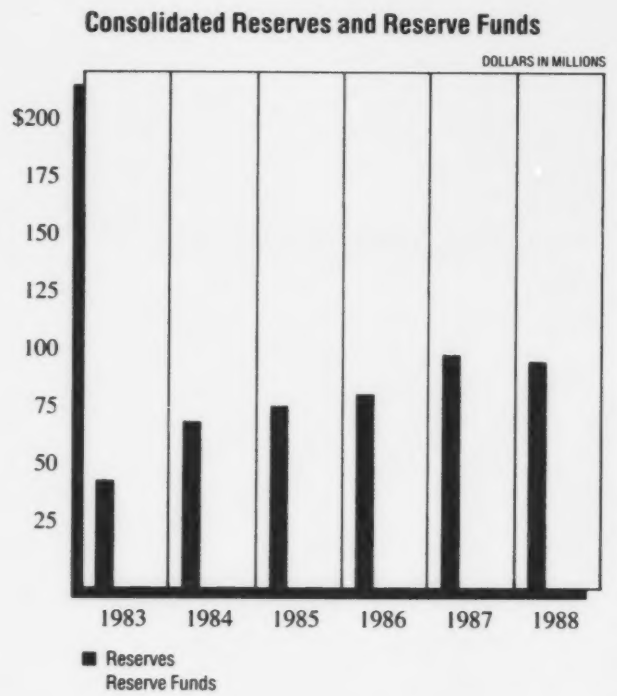
	1988 Gross Expenditure	Estimated Gross Cost
Main Sewage Treatment Plant Stage 3	**$37,559**	$332,250
Harbourfront Light Rail Transit	**24,506**	58,300
Purchase of 126 subway cars	**15,720**	185,800
Pavement Management Programme	**14,353**	44,100
Arrow Road Bus Garage	**11,527**	34,400
Resurfacing of Major Roads	**10,657**	57,000
Bridge Reconstruction Programme	**8,899**	23,700
Home for the Aged – Scarborough	**8,740**	17,700
Wheel Trans Equipment	**8,546**	18,388
Spadina Avenue Bridge	**7,764**	16,371
Repairs to Gardiner Expressway	**7,208**	50,000
Transit Plant Operating Building	**7,079**	16,000
Purchase of Light Rail Vehicles	**6,719**	104,750
Station Modernization	**6,020**	50,200
Expansion of Police Headquarters	**5,416**	63,800

RESERVES AND RESERVE FUNDS
LAST SIX FISCAL YEARS

Dollars in thousands

Year	Total Reserves And Reserve Funds	Total As Percentage of Taxation	Total As Percentage of Current Expenditures
1983	**$ 59,504**	9.7	3.9
1984	**87,058**	13.0	5.3
1985	**97,133**	13.8	5.4
1986	**135,729**	18.4	7.1
1987	**187,567**	23.6	8.9
1988	**287,001**	34.7	12.4

Additional information on "Reserves and Reserve Funds" is contained on page 23 of this Report.



SUMMARY OF TOTAL DEBENTURE DEBT MATURITIES OF THE METROPOLITAN CORPORATION AND AREA MUNICIPALITIES
AS AT DECEMBER 31, 1988

Dollars in thousands

	Instalment		Sinking Fund		Total Debt of Metropolitan Corporation and the Area Municipalities	
	Can.	U.S.	Can.	U.S.	Can.	U.S.
1989	$ 29,150	$ 6,734	$ 24,981	$ 340	**$ 54,131**	**$ 7,074**
1990	24,786	5,161	25,076	344	**49,862**	**5,505**
1991	23,424	5,400	28,419		**51,843**	**5,400**
1992	21,363	4,644	39,057		**60,420**	**4,644**
1993	15,706	4,685	125,479		**141,185**	**4,685**
1994	13,492	4,857	125,721		**139,213**	**4,857**
1995	11,206	5,044	120,588		**131,794**	**5,044**
1996	7,722	5,254	125,939	125,000	**133,661**	**130,254**
1997	5,161	5,205	154,049	55,000	**159,210**	**60,205**
1998	4,400	2,420	33,576		**37,976**	**2,420**
1999	3,008	2,656	22,741		**25,749**	**2,656**
2000	2,036				**2,036**	
2001	286				**286**	
2002	134				**134**	
	$161,874	$52,060	$825,626	$180,684	**$987,500**	**$232,744**

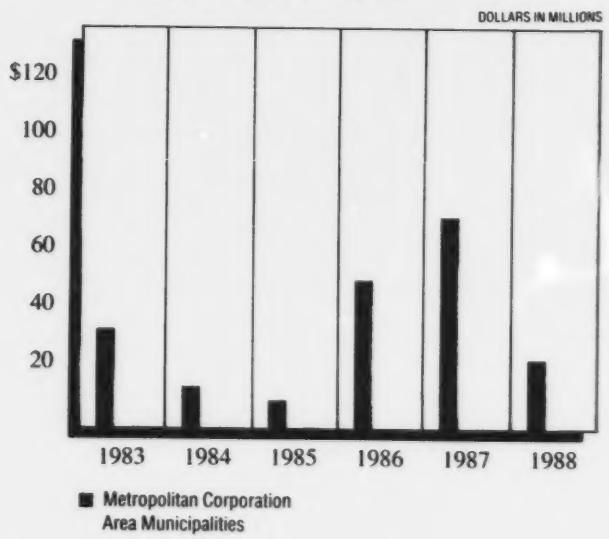
DEBENTURES ISSUED IN 1988

CANADIAN ISSUE

7 YEAR SINKING FUND, 10⅛%

	Dollars in thousands
Metropolitan Corporation	
Ambulance	$ 698
Exhibition Place	1,495
Conservation	199
Roads	3,689
Social Services	3,290
Libraries	199
Parks and Recreation	399
Police	3,290
Rapid Transit	9,969
Refuse Disposal	2,592
Water Pollution Control	6,381
Zoo	199
	32,400
Area Municipalities	
City of Toronto	11,004
City of Scarborough	1,027
City of Etobicoke	913
City of York	1,810
Borough of East York	2,846
	17,600
	$50,000

Debentures Issued by Purpose



TOTAL DEBENTURE DEBT OF THE METROPOLITAN TORONTO AREA

Dollars in thousands

	Outstanding as at December 31, 1988
Area Municipalities' debentures assumed by Metropolitan Corporation	$ 413
Metropolitan Corporation Debentures	1,264,634
Total debenture debt of the Metropolitan Toronto Area	**$1,265,047**

Made up as follows:		
Debenture debt assumed by Province of Ontario (in respect of Administration of Justice)		$ 13,444
Debenture debt recoverable from municipal enterprises		
Toronto Transit Commission	$ 29,140	
Waterworks	122,388	
Hydro-Electric Systems	12,344	163,872
Total – self-liquidating debt		177,316
Sinking funds re. debt other than self-liquidating		444,277
Net debt of the Metropolitan Toronto Area		643,454
Total debenture debt of the Metropolitan Toronto Area		**$1,265,047**

Payable in:	Metropolitan Corporation Debentures	Area Municipality Debentures	Total
Canada	$ 987,087	$ 413	$ 987,500
United States	277,547		277,547
Total debenture debt of the Metropolitan Toronto Area	**$1,264,634**	**$ 413**	**$1,265,047**